

JOINT BUDGET COMMITTEE



STAFF BUDGET BRIEFING FY 2018-19

DEPARTMENT OF REVENUE

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STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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DEPARTMENT OF REVENUE

DEPARTMENT OVERVIEW

The Department of Revenue regulates, enforces, and administers the state's tax laws. The Department also issues and maintains records related to drivers licenses, vehicle emission testing stations, registration and titling of motor vehicles, limited stakes gaming, liquor and tobacco retailers, horse racing and pari-mutuel betting, the automobile sales industry, and medical and recreational marijuana retailers, growing facilities, and manufacturing facilities. In addition, the Department operates the State Lottery, including state and multi-state games. The Department is divided into six divisions or business groups, four of which provide direct services to the citizens of the State, and two that provide support for the four direct-service providers.

THE EXECUTIVE DIRECTOR'S OFFICE provides overall leadership and administration for the Department, including the central budget office, accounting and financial services, internal audit, human resources administration, and includes the Office of Research and Analysis, a citizens' advocate, and the Hearings Division.

THE INFORMATION TECHNOLOGY DIVISION is responsible for the maintenance and support of the Department's information technology systems that are not maintained and supported by the Governor's Office of Information Technology.

THE TAXATION BUSINESS GROUP

- Is responsible for the collection, administration, and enforcement of individual and corporate income taxes, sales and use taxes, gasoline and special fuel taxes, and severance taxes, as well as all other taxes collected by the state;
- Provides assistance and information to taxpayers about compliance with Colorado's tax laws;
- Attempts to resolve taxpayer disputes before they reach the court system;
- Administers the cigarette tax rebate and the Amendment 35 distribution of cigarette taxes to the cities and counties;
- Administers the Old Age Heat and Fuel and Property Tax Rebate Program; and
- Administers the Commercial Vehicle Enterprise Sales Tax Refund.

THE DIVISION OF MOTOR VEHICLES

- Is responsible for enforcement and administration of the laws governing driver licensing and vehicle registration;
- Licenses drivers, maintains records of licensed drivers, and applies administrative sanctions against drivers who violate traffic laws, including for drunk driving and for excessive points;
- Oversees the vehicle emissions testing stations (including mobile testing stations);
- Registers and titles motor vehicles; and
- Administers the motor vehicle insurance identification database to prevent the registration of vehicles that are not insured.

THE ENFORCEMENT BUSINESS GROUP

- Regulates and enforces laws related to the limited stakes gaming industry in three historic mining towns;
- Enforces laws regarding liquor and tobacco retailers, including laws against selling those products to minors, and licenses retailers and special events where alcohol is served;
- Regulates horse racing (dog racing is currently inactive) and pari-mutuel betting (including off-track betting);
- Regulates retailers and sales agents in the motor vehicle sales industry; and
- Regulates medical and recreational marijuana dispensaries, cultivation, and manufacturing facilities.

THE STATE LOTTERY DIVISION

Operates the State Lottery, which sells scratch ticket games and tickets for jackpot games (e.g. Powerball, Lotto, Cash 5, Pick 3, and Mega Millions). The net proceeds of the Lottery benefit the following funds and programs:

- The Conservation Trust Fund;
- Colorado Division of Parks and Outdoors Recreation;
- Great Outdoors Colorado; and
- The public schools capital construction fund.

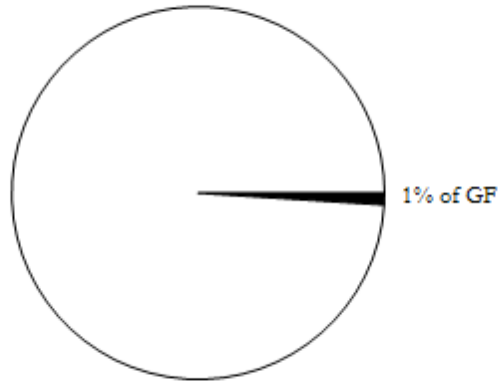
DEPARTMENT BUDGET: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19 *
General Fund	\$97,942,157	\$100,886,490	\$107,595,006	\$111,670,754
Cash Funds	221,218,250	233,790,126	241,710,307	247,814,586
Reappropriated Funds	5,314,170	6,522,588	6,245,246	6,318,910
Federal Funds	824,388	824,388	824,388	824,388
TOTAL FUNDS	\$325,298,965	\$342,023,592	\$356,374,947	\$366,628,638
Full Time Equiv. Staff	1,371.4	1,430.4	1,437.2	1,438.8

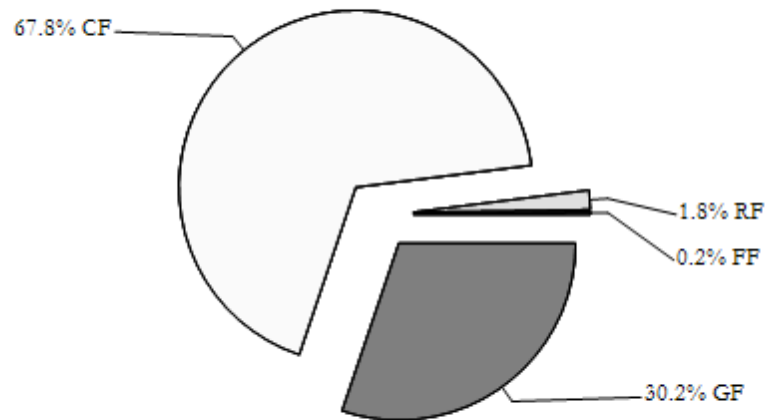
*Requested appropriation.

DEPARTMENT BUDGET: GRAPHIC OVERVIEW

**Department's Share of Statewide
General Fund**

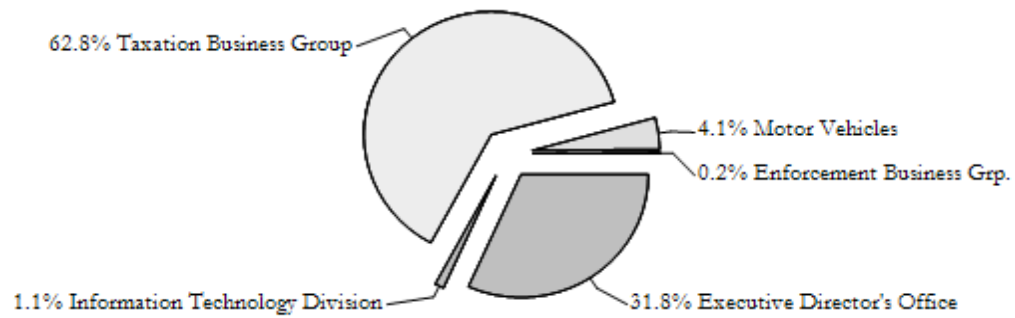


Department Funding Sources

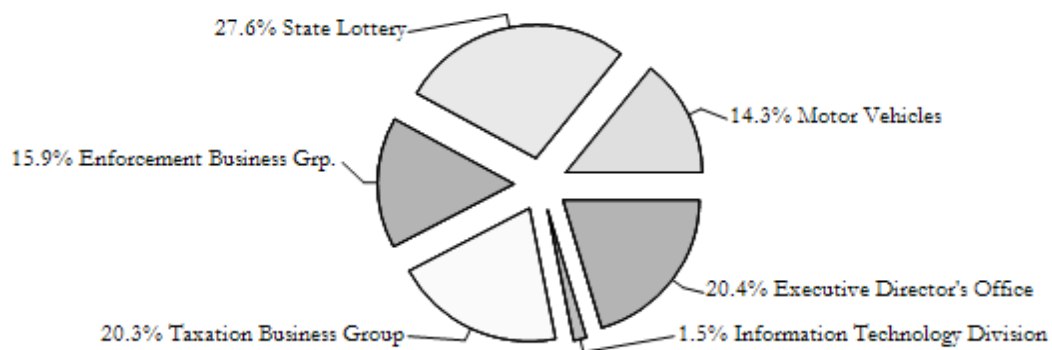


All charts are based on the FY 2017-18 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on the FY 2017-18 appropriation.

GENERAL FACTORS DRIVING THE BUDGET

The Department's funding for FY 2017-18 consists of 30.2 percent General Fund, 67.8 percent cash funds, 1.8 percent reappropriated funds, and 0.2 percent federal funds. The Department's primary budget drivers are the State's tax structure, population and business activity levels, and business activity in regulated industries. In recent years, mineral severance activity and legislative changes related to identification document requirements have also increased demands on Department staff and systems.

HEARINGS DIVISION

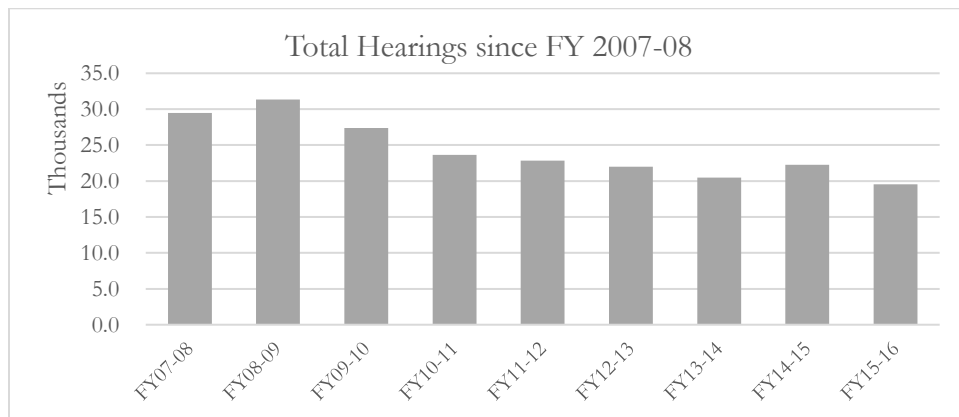
The Hearings Division conducts administrative hearings regarding various licenses issued by the Department, including driver's licenses, liquor licenses, horse and dog racing licenses, and motor vehicle dealer's licenses. Prior to FY 2016-17, the Hearings Division was located in the Enforcement Business group in the budget although it operated within the Executive Director's Office. Beginning in FY 2016-17 the Hearings Division was relocated to the Executive Director's Office as a subdivision. The following table outlines the number of hearings annually since FY 2010-11.

NUMBER OF HEARINGS						
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Total motor vehicle related hearings ¹	23,526	22,710	21,867	20,390	22,188	19,424
Other hearings ²	125	119	132	95	78	99
Total hearings	23,651	22,829	21,999	20,485	22,266	19,523

¹ Includes hearings related to excessive points, express consent, driving under the influence convictions, habitual traffic offender, insurance related restraints, vehicular assault/homicide, controlled substance crimes, underage drinking and driving, and ignition interlock cases.

² Includes hearings related to liquor, racing, tax, tobacco, vehicle emissions, commercial driver's licenses and 3rd party testers, automobile salespersons, gaming, and marijuana.

The following chart reflects the number of hearings annually since FY 2007-08.



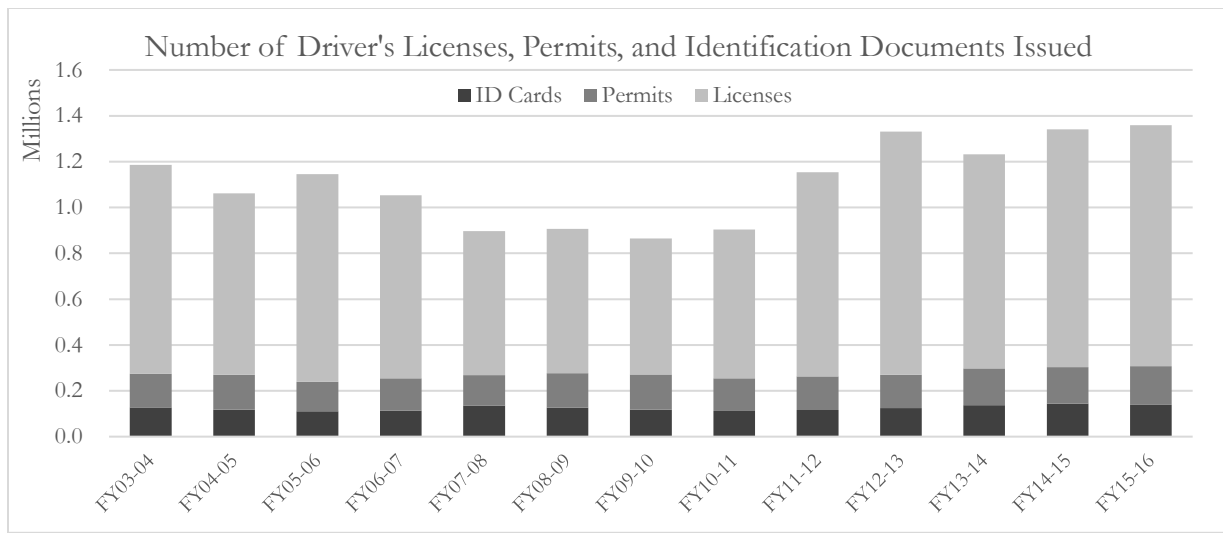
TAXATION BUSINESS GROUP

The complexity of Colorado's tax structure affects the resources required by the Taxation Business Group and Information Technology Division. In addition to collecting State taxes, the Department collects local taxes for most counties, cities, and special districts in Colorado, and tracks and distributes the collections monthly to the local governments. Local sales taxes collected include: city sales tax, county lodging tax, county transit sales tax, special district taxes, and transportation authority tax.

DIVISION OF MOTOR VEHICLES

The Division of Motor Vehicles issues driver's licenses and identification cards, maintains driver records and enforces administrative sanctions, suspensions, and reinstatements of driver's licenses, regulates commercial driving schools, oversees the State's vehicle emissions program, provides support for the Statewide Vehicle Titling and Registration System (CSTARS), oversees the motorist insurance identification database program, and administers the Ignition Interlock Subsidy Program.

The Division operates 36 offices throughout the state and the number of identity documents issued yearly is one of the primary drivers of the Division of Motor Vehicles. The following chart reflects the number of documents issued since FY 2003-04.



Recent changes in state and federal law have increased transaction times for driver's licenses and ID cards. For example, the Department has instituted new policies and procedures to ensure that those documents are secure and verifiable by utilizing databases to confirm residency and legal status.

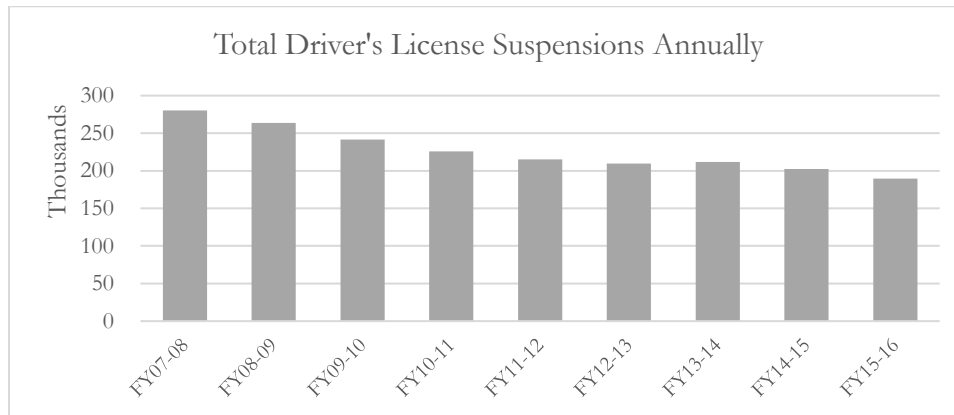
In addition to issuing driver's licenses, the Driver Services and Vehicle Services sections are responsible for:

- managing driver's licensing records;
- verifying documents presented for identification, including proof of the applicant's legal presence in the United States;
- identifying and administering administrative sanctions, including all restraints for alcohol related driving offenses;
- investigating fraud related to driver's licenses and identification cards;
- providing support and coordination for the motor vehicle registration process;
- administering the Colorado Road and Community Safety (S.B. 13-251) identification program; and
- supervising license plate ordering and distribution.

The following table outlines the number and type of driver's license suspensions since FY 2010-11.

DRIVER'S LICENSE SUSPENSIONS						
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Excessive points	11,299	9,907	8,947	7,380	7,811	5,534
Adult impaired driving arrests	26,876	26,062	26,859	24,592	23,581	19,871
License restricted by other state	4,146	3,953	3,675	4,071	4,409	3,638
DUI convictions	4,515	4,318	4,125	3,944	3,463	3,142
Habitual traffic offender	3,387	3,279	3,265	2,887	2,567	2,437
Accident without insurance	1,670	1,876	1,258	1,441	1,552	1,595
Driving without insurance	27,481	26,075	24,417	21,050	18,448	17,490
Vehicle assault/homicide	171	195	156	153	211	189
Controlled substance convictions	15	4	1	0	0	0
Underage drinking/driving	1,845	1,693	1,468	1,373	1,178	993
Underage buy/possess alcohol	1,361	1,149	846	613	422	385
Child support arrears	18,911	17,834	18,201	18,774	18,645	17,426
Unpaid ticket/failure to appear in court	84,370	81,085	78,868	77,519	76,662	74,128
Other	39,642	37,678	37,573	48,129	43,503	42,922
Total	225,689	215,108	209,659	211,926	202,452	189,750

The following table reflects total driver's license suspensions annually since FY 2007-08.

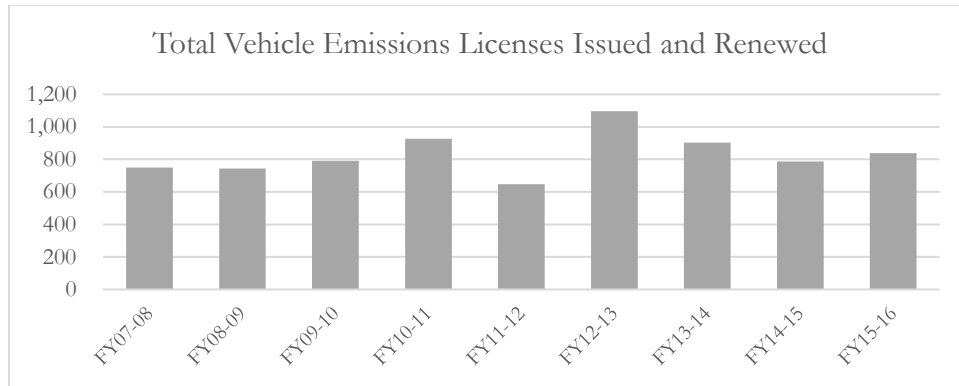


VEHICLE EMISSIONS PROGRAM

The Vehicle Emissions Program licenses, regulates, and inspects vehicle emissions testing site operators, inspectors, and mechanics; conducts inspections of vehicle emissions testing facilities to ensure compliance with statutory requirements; and validates inspector and mechanic performance standards. The following table outlines licenses issued and renewed since FY 2010-11.

VEHICLE EMISSIONS LICENSING						
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Stations Licensed	83	75	87	87	81	82
Stations Renewed	64	67	81	51	49	53
Mechanics Licensed	579	355	683	593	496	480
Mechanics Renewed	200	151	245	173	161	224
Total	926	648	1,096	904	787	839

The following chart reflects total vehicle emissions licenses issued and renewed annually since FY 2007-08.

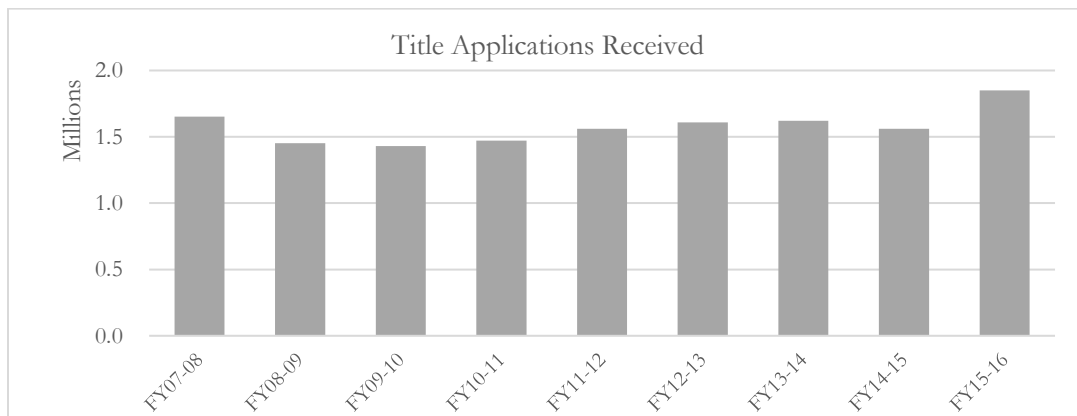


TITLES PROGRAM

The Titles Program is responsible for the issuance of legal, negotiable certificates of title to protect the public when purchasing motor vehicles. Program staff review all high-risk title applications to verify that the assignment of ownership has been properly made. The following table outlines the number of title applications received annually since FY 2010-11.

NUMBER OF TITLE APPLICATIONS RECEIVED						
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Title Applications Received	1,471,503	1,561,184	1,608,557	1,621,277	1,561,035	1,850,487

The following chart reflects title applications received annually since FY 2007-08.



ENFORCEMENT BUSINESS GROUP

The Enforcement Business Group regulates the liquor, tobacco, medical and retail marijuana, racing, gambling (except games of chance operated for charity, which are regulated by the Secretary of State), and automobile sales industries. The Limited Gaming Control Commission has authority over the Limited Gaming Division budget.

LIMITED GAMING DIVISION

The Limited Gaming Division licenses and regulates the limited gaming industry, including gaming devices, facilities, personnel, and activities. The Division also enforces the laws contained in the Limited Gaming Act, as well as the rules and regulations promulgated by the Colorado Limited

Gaming Control Commission (Commission). The Commission has constitutional authority to allocate money to the Division. Money remains in the Limited Gaming Fund after the payment of the Division's expenses and distributions according to the Constitution as follows:

- 28 percent to the State Historical Society;
- 12 percent to the gaming counties (Gilpin and Teller) in amounts proportional to gaming revenues collected in each county;
- 10 percent to the gaming cities (Black Hawk, Central City, and Cripple Creek) in amounts proportional to gaming revenues collected in each city; and
- 50 percent to the General Fund or such other uses or funds as the General Assembly may provide.

Amendment 50, approved by voter in 2008, expanded limited gaming to include higher limits on bets, extended hours, and new games. The proceeds of expanded gaming, after expenses, are distributed as follows:

- 10 percent to limited gaming cities;
- 12 percent to limited gaming counties; and
- 78 percent to the State's community colleges.

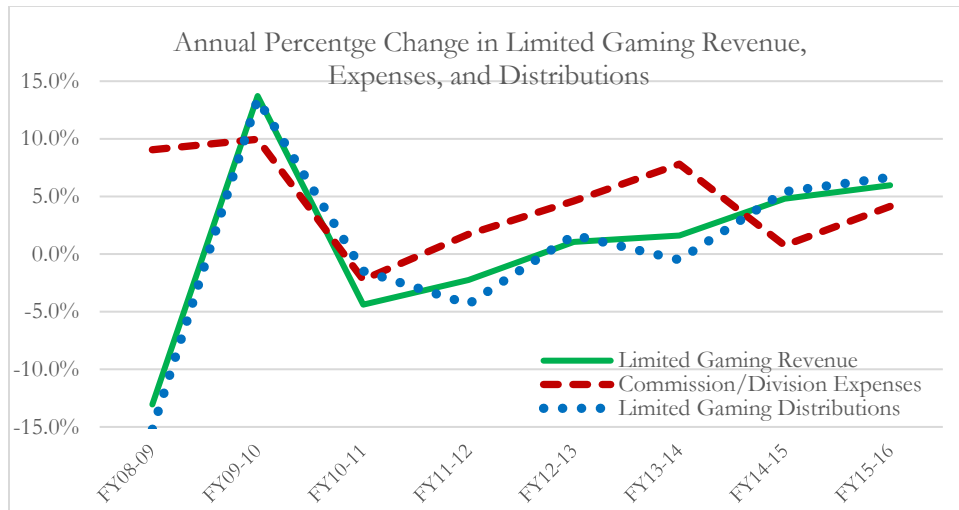
State limited gaming revenues, expenses, and distributions are outlined in the following table.

LIMITED GAMING REVENUE, EXPENSES, AND DISTRIBUTIONS					
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Limited Gaming Revenue	\$103,557,500	\$104,644,974	\$106,322,700	\$111,421,159	\$118,073,006
Commission/Division Expenses	(12,305,062)	(12,872,721)	(13,877,185)	(13,981,725)	(14,561,705)
Total Limited Gaming Distributions	(\$91,197,386)	(\$92,686,816)	(\$92,219,372)	(\$97,218,342)	(\$103,684,917)
Amendment 50 Distributions					
Limited Gaming Counties (12 percent)	\$1,031,963	\$993,906	\$1,005,480	\$1,185,549	\$1,506,898
Limited Gaming Cities (10 percent)	859,969	828,255	837,900	987,059	1,255,749
Community College System (78 percent)	6,707,757	6,460,388	6,535,622	7,702,884	9,794,840
Total distributions - Amendment 50	\$8,599,689	\$8,282,549	\$8,379,002	\$9,875,492	\$12,557,487
State Share Distributions (50 percent):					
State General Fund	\$20,304,942	\$12,102,134	\$11,820,185	\$13,571,425	\$15,463,715
Local Government Gaming Impact Fund	3,314,827	5,000,000	5,000,000	5,000,000	5,000,000
Tourism Promotion Fund	11,049,424	15,000,000	15,000,000	15,000,000	15,000,000
Film Incentives Cash Fund	220,989	500,000	500,000	500,000	500,000
Bioscience Discovery Evaluation Grant Program	3,977,793	5,500,000	5,500,000	0	n/a
Advanced Industries Acceleration Cash Fund	0	0	0	5,500,000	5,500,000
Innovative Higher Ed Research Fund	1,546,920	2,100,000	2,100,000	2,100,000	2,100,000
Creative Industries Cash Fund	883,954	2,000,000	2,000,000	2,000,000	2,000,000
Total distributions - State Share	\$41,298,849	\$42,202,134	\$41,920,185	\$43,671,425	\$45,563,715
State Historical Fund distribution (28 percent)	\$23,127,355	\$23,633,195	\$23,475,304	\$24,455,998	\$25,515,681
Limited Gaming Counties (12 percent)					
Gilpin County	\$8,196,996	\$8,364,125	\$8,373,641	\$8,780,053	\$9,162,681
Teller County	1,714,728	1,764,387	1,687,203	1,701,089	1,772,611
Total distributions - Counties	\$9,911,724	\$10,128,512	\$10,060,844	\$10,481,142	\$10,935,292

LIMITED GAMING REVENUE, EXPENSES, AND DISTRIBUTIONS

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Limited Gaming Cities (10 percent)					
City of Black Hawk	\$6,048,629	\$6,174,172	\$6,244,431	\$6,592,639	\$0
Central City	782,200	795,932	733,603	724,072	0
City of Cripple Creek	1,428,940	1,470,322	1,406,003	1,417,574	0
Total distributions - Cities	\$8,259,769	\$8,440,426	\$8,384,037	\$8,734,285	\$0

The following chart reflects the annual percentage change in limited gaming revenue, expenses, and total distributions since FY 2008-09.

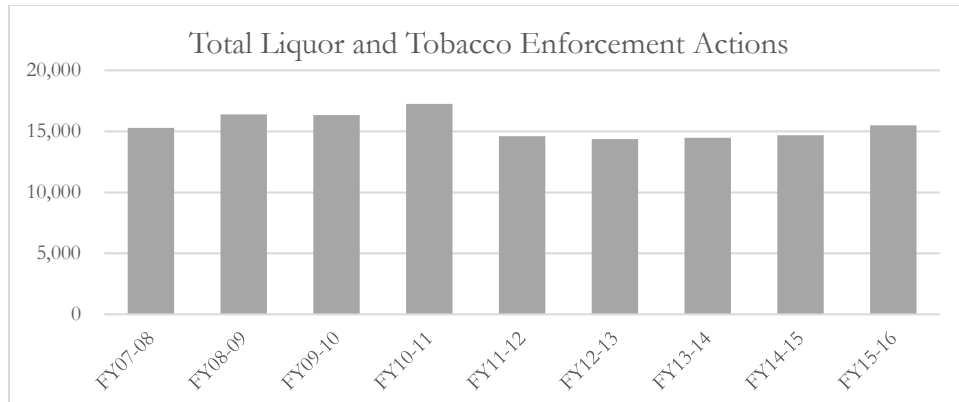


LIQUOR AND TOBACCO ENFORCEMENT DIVISION

The Liquor and Tobacco Enforcement Division licenses persons who manufacture, import, distribute, or sell alcoholic beverages; regulates the sale and distribution of liquor within the State, including enforcement of the liquor, beer, and special events codes; and enforces State and federal laws regarding the sale of tobacco products to minors. The following table details the enforcement actions the Division has undertaken in the last five fiscal years.

LIQUOR AND TOBACCO ENFORCEMENT DIVISION - ENFORCEMENT ACTIONS					
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Total liquor licenses in force	13,515	12,816	12,998	13,348	14,113
State administrative actions	278	424	382	314	452
State revocations	3	0	5	0	0
State suspensions	51	70	44	33	57
State denials	1	1	3	3	3
Division filed court cases	756	1,042	1,026	988	874
Division assisted local hearings	6	12	5	3	1
Total Enforcement Actions	14,610	14,365	14,463	14,689	15,500

The following chart reflects total enforcement actions annually since FY 2007-08.

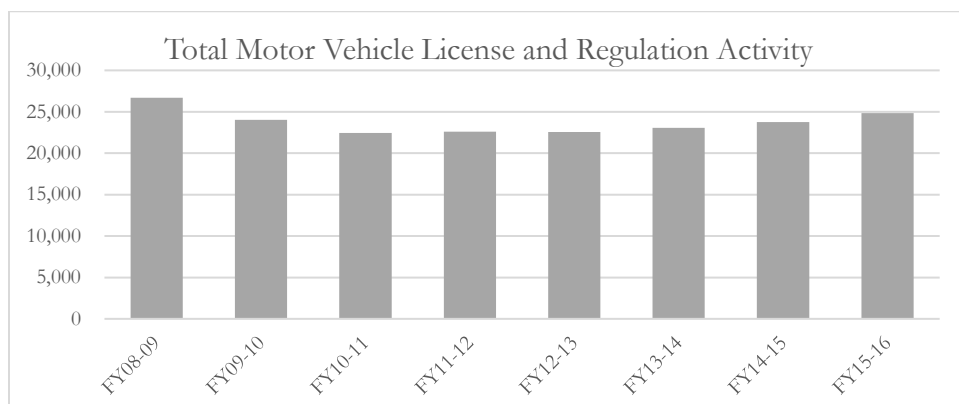


MOTOR VEHICLE DEALER LICENSING BOARD

The Motor Vehicle Dealer Licensing Board is responsible for licensing and regulating the sale and distribution of motor vehicles and promulgating consumer protection regulations. Responsibilities include licensing all salespersons and individuals with ownership interests in new and used auto dealerships.

MOTOR VEHICLE DEALER LICENSING BOARD - LICENSE AND REGULATION ACTIVITY					
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Total dealer/salesperson licenses issued	18,059	18,699	19,295	19,952	20,893
Complaints received	1,347	1,234	1,225	1,218	1,242
Investigations completed	1,559	1,304	1,270	1,220	1,297
Violations/founded complaints	822	673	656	697	761
Verbal warnings issued	360	326	238	181	122
Written warnings issued	137	175	225	321	420
Criminal summons issued	26	22	11	25	12
Cases presented to Dealer Board	286	135	159	153	93
Total License and Regulation Activity	22,596	22,568	23,079	23,767	24,840

The following chart reflects total license and regulation activity annually since FY 2008-09.



MARIJUANA ENFORCEMENT

The Department of Revenue is the state licensing authority for all regulation of businesses and employees operating under the medical and recreational marijuana laws. The Marijuana Enforcement

Division issues licenses to businesses, completes background checks on business owners and employees to verify no relationship with illegal activity, and inspects marijuana businesses for compliance with all state laws. The budget for marijuana enforcement is driven by the number of licensees.

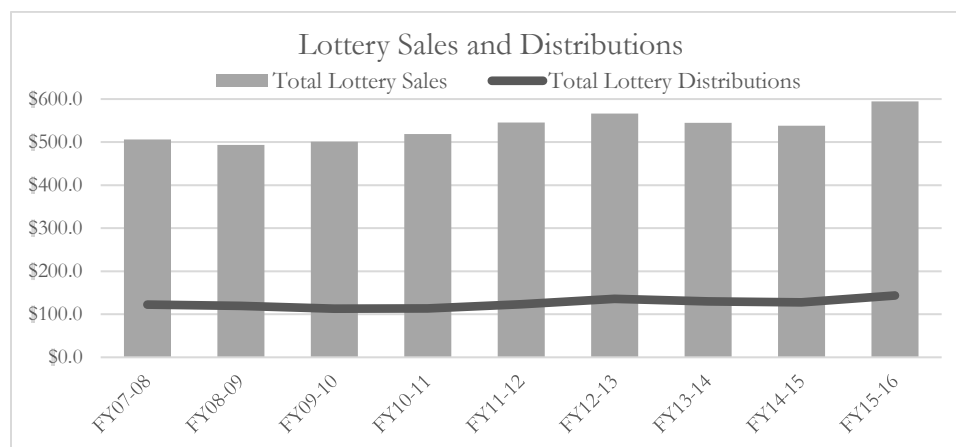
MARIJUANA ENFORCEMENT - LICENSING ACTIVITY					
MEDICAL MARIJUANA LICENSING ACTIVITY	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
MM center business licenses issued	273	372	493	512	529
MM infused product business licenses issued	38	80	149	183	237
MM optional premises cultivation business licenses issued		488	729	763	785
RETAIL MARIJUANA LICENSING ACTIVITY					
RM licenses issued			221	372	435
RM product manufacturer licenses issued			63	132	193
RM cultivation			279	471	572
RM testing facility business licenses issued			8	19	15
MARIJUANA OCCUPATIONAL LICENSING ACTIVITY					
Total active occupational licenses in force			11,084	22,212	27,764

STATE LOTTERY DIVISION

The State Lottery recorded sales of \$594.4 million and net proceeds of \$143.6 million were distributed in FY 2015-16. The table below outlines total sales and net proceeds distributions over five years.

LOTTERY - SALES AND DISTRIBUTIONS (\$ MILLIONS)					
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Total Sales	\$545.3	\$566.3	\$545.0	\$538.0	\$594.4
Distributions					
Conservation Trust Fund	49.3	54.2	52.1	51.2	57.4
Great Outdoors Colorado	57.1	59.2	60.3	62.0	63.7
Colorado Parks and Wildlife	12.3	13.6	13.0	12.8	14.4
Public School Capital Construction Fund (BEST)	4.6	8.6	4.7	2.0	8.1
Total Distributions	\$123.3	\$135.6	\$130.1	\$128.0	\$143.6

The following chart reflects total lottery sales and distributions annually since FY 2007-08.



SUMMARY: FY 2017-18 APPROPRIATION & FY 2018-19 REQUEST

DEPARTMENT OF REVENUE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2017-18 APPROPRIATION:						
SB 17-254 (Long Bill)	355,833,948	107,585,406	241,178,908	6,245,246	824,388	1,435.3
Other legislation	540,999	9,600	531,399	0	0	1.9
TOTAL	\$356,374,947	\$107,595,006	\$241,710,307	\$6,245,246	\$824,388	1,437.2
FY 2018-19 APPROPRIATION:						
FY 2017-18 Appropriation	\$356,374,947	107,595,006	\$241,710,307	\$6,245,246	\$824,388	1,437.2
R1 DRIVES System Maintenance and Support	2,600,000	0	2,600,000	0	0	0.0
R2 Armored Car Appropriation Increase	63,551	1,177	62,374	0	0	0.0
R3 Lottery Vendor Fees and Retail Compensation	4,028,785	0	4,028,785	0	0	0.0
R4 Liquor Enforcement Division Operating Increase	43,734	0	43,734	0	0	0.0
R5 Enforcement Business Group Realignment	0	1,908	(80,432)	78,524	0	0.0
R6 GenTax Fraud Manager Reduction	(600,000)	(600,000)	0	0	0	0.0
R7 Gross Conservation Easement Reduction	(1,216,425)	(1,216,425)	0	0	0	0.0
Revenue forecast adjustments	5,451,636	5,512,656	(61,020)	0	0	0.0
Centrally appropriated line items	1,192,918	557,958	636,434	(1,474)	0	0.0
Non-prioritized request items	31,072	10,673	20,399	0	0	0.0
Annualize prior year budget actions	(961,179)	(14,723)	(946,414)	(42)	0	0.0
Annualize prior year legislation	(377,057)	(172,208)	(204,849)	0	0	1.6
Indirect cost adjustment	(3,344)	(5,268)	5,268	(3,344)	0	0.0
TOTAL	\$366,628,638	\$111,670,754	\$247,814,586	\$6,318,910	\$824,388	1,438.8
INCREASE/(DECREASE)	\$10,253,691	\$4,075,748	\$6,104,279	\$73,664	\$0	1.6
Percentage Change	2.9%	3.8%	2.5%	1.2%	0.0%	0.1%

R1 DRIVES SYSTEM MAINTENANCE AND SUPPORT: The request includes \$2.6 million cash funds from several cash funds including the Licensing Services Cash Fund (LSCF) and the Colorado State Titling and Registration (CSTARS) account/Colorado DRIVES Vehicle Services account for FY 2018-19. This request will increase to \$6,240,000 in FY 2019-20 and will include annual contractual increases for inflation based on the Denver/Boulder Consumer Price Index (CPI) in out years. This request includes annual, operating funding for post-implementation hosting, maintenance, and support services provided by the vendor, FAST Enterprises, LLC, for the Driver License, Record, Identification, and Vehicle Enterprise Solution (DRIVES) system, previously funded as an information technology capital construction project.

R2 ARMORED CAR APPROPRIATION INCREASE: The request includes an increase of \$63,551 total funds including \$1,177 General Fund and \$62,374 cash funds from several cash funds, including the Licensing Services Cash Fund, the Limited Gaming Fund, and the Marijuana Cash Fund for FY 2018-19 and ongoing. The request will pay for increased rates for third-party armored car services purchased by the Department across several divisions. The increase comes as a result of the recent vendor solicitation process for this service.

R3 LOTTERY VENDOR FEES AND RETAIL COMPENSATION: The request includes an increase of \$4,028,785 cash funds from the Lottery Fund in FY 2018-19 and ongoing. Current projections identify a need of an additional \$1.7 million in vendor fees and \$2.3 million in retailer compensation to satisfy lottery contract provisions for vendors and retailers.

R4 LIQUOR ENFORCEMENT DIVISION OPERATING INCREASE: The request includes an increase of \$43,734 cash funds from the Liquor Enforcement Division and State Licensing Authority Cash Fund for FY 2018-19 and ongoing to support travel costs to improve compliance and enforcement operations statewide in remote areas.

R5 ENFORCEMENT BUSINESS GROUP REALIGNMENT: The request is for a realignment of 2.0 FTE from the Division of Gaming to the Administration section of the Enforcement Business Group (EBG) for FY 2018-19 and ongoing. The request is a net-neutral adjustment in total funds, including an increase of \$1,908 General Fund, a net increase of \$78,524 reappropriated funds, and a net decrease of \$80,432 cash funds. The positions will be financed through the indirect cost model for the purpose of allocating the costs proportionally across all EBG programs and funding sources.

R6 GEN TAX FRAUD MANAGER REDUCTION: The request includes a decrease of \$600,000 General Fund in FY 2018-19 and ongoing. This item was appropriated in a FY 2015-16 supplemental (S2) and FY 2016-17 budget amendment (BA1) to implement a functional service in the GenTax system. The Department and vendor were unable to reach agreement so the service was not implemented.

R7 GROSS CONSERVATION EASEMENT REDUCTION: The request includes a decrease of \$1,216,425 General Fund for FY 2018-19 and ongoing. This appropriation was included in H.B. 11-1300 (Conservation Easement Tax Credit Dispute Resolution) for consultant work. The majority of the work has been completed and the appropriation for the consultant is no longer used.

REVENUE FORECAST ADJUSTMENTS: The request includes adjustments to reflect the September 2017 Revenue Forecast projected by the Governor's Office of State Planning and Budgeting for special purpose distribution line items including Cigarette Tax Rebate and Retail Marijuana Sales Tax Distribution to Local Governments.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes an increase of \$1,192,918 total funds including \$557,958 General Fund related to employee benefits and other centrally appropriated items. This total includes the following changes:

CENTRALLY APPROPRIATED LINE ITEMS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
Salary survey adjustment	\$2,582,782	\$1,083,134	\$1,496,461	\$3,187	0.0
Health, life, and dental adjustment	684,365	372,860	316,978	(5,473)	0.0
Leased space adjustment	287,275	42,978	244,297	0	0.0
AED adjustment	180,980	40,916	139,656	408	0.0
SAED adjustment	180,980	40,916	139,656	408	0.0
Legal services adjustment	172,533	99,722	72,811	0	0.0
Workers' compensation adjustment	100,139	32,664	67,475	0	0.0
CORE adjustment	85,881	28,911	56,970	0	0.0
Payments to OIT adjustment	(2,741,966)	(1,085,673)	(1,656,293)	0	0.0
Capitol Complex leased space adjustment	(225,464)	(52,308)	(173,156)	0	0.0

CENTRALLY APPROPRIATED LINE ITEMS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
Payment to risk management / property funds adjustment	(94,352)	(39,767)	(54,585)	0	0.0
Short-term disability adjustment	(9,011)	(5,122)	(3,885)	(4)	0.0
ALJ adjustment	(7,096)	0	(7,096)	0	0.0
Shift differential adjustment	(4,128)	(1,273)	(2,855)	0	0.0
TOTAL	\$1,192,918	\$557,958	\$636,434	(\$1,474)	0.0

NON-PRIORITIZED REQUEST ITEMS: The request includes adjustments related to budget requests made by other departments that affect the Department of Revenue in FY 2018-19, which are summarized in the following table.

NON-PRIORITIZED REQUEST ITEMS				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
NP2 Operating system suite	\$18,321	\$7,157	\$11,164	0.0
NP1 Cybersecurity liability insurance policy	8,880	3,516	5,364	0.0
NP3 Annual fleet vehicle request	3,871	0	3,871	0.0
TOTAL	\$31,072	\$10,673	\$20,399	0.0

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes a net decrease of \$961,179 total funds for prior year budget actions, summarized in the following table.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
Annualize FY18 R4 DMV Leased Space	(\$893,400)	\$0	(\$893,400)	\$0	0.0
Annualize FY18 R6 AID Regulatory Staff Increase	(33,182)	0	(33,182)	0	0.0
Annualize prior year salary survey	(25,637)	(10,992)	(14,615)	(30)	0.0
Annualize merit base pay	(8,960)	(3,731)	(5,217)	(12)	0.0
TOTAL	(\$961,179)	(\$14,723)	(\$946,414)	(\$42)	0.0

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes a net decrease of \$377,057 total funds to reflect the FY 2017-18 impact of bills passed in previous sessions, summarized in the following table.

ANNUALIZE PRIOR YEAR LEGISLATION				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
Annualize SB16-197 Liquor-licensed Drugstore Multiple	\$72,189	\$0	\$72,189	1.5
Annualize HB17-1212 Colorado Aviation Special License	913	0	913	0.0
Annualize HB17-1012 Pueblo Chile License Plate	912	0	912	0.0
Annualize HB17-1162 Outstanding Judgments and Drivers	(108,000)	0	(108,000)	0.0
Annualize HB16-1467 First Time Homebuyer Savings Acct	(84,493)	(84,493)	0	0.0
Annualize HB17-1367 Authorize Marijuana Clinical Research	(45,801)	0	(45,801)	0.0
Annualize HB16-1142 Rural Care Preceptors Tax Credit	(45,038)	(45,038)	0	0.0
Annualize SB17-192 Marijuana Business Efficiency Meas	(39,709)	(9,600)	(30,109)	0.1
Annualize HB17-1027 Remove Fund Repeal and Clarify Orga	(33,750)	0	(33,750)	0.0
Annualize HB16-1194 First Time Farmer IT Deduction	(33,077)	(33,077)	0	0.0
Annualize SB17-240 Sunset Motor Vehicle Dealer Sales	(28,853)	0	(28,853)	0.0
Annualize HB17-1120 Alcohol Beverage License Higher Ed	(22,150)	0	(22,150)	0.0
Annualize HB17-1249 Penalties for Unlicensed MV Sales	(8,000)	0	(8,000)	0.0
Annualize HB17-1250 Renew and Expand Tax Checkoff	(2,200)	0	(2,200)	0.0
TOTAL	(\$377,057)	(172,208)	(\$204,849)	1.6

INDIRECT COST ADJUSTMENT: The request includes net adjustments to indirect costs across the Department.

ISSUE: DEPARTMENT REQUEST ITEMS

This informational issue brief provides summaries of the Department's request items.

SUMMARY

- Request item R1 totals \$2.6 million cash funds in FY 2018-19 and annualizes to \$6.4 million in FY 2019-20 plus CPI inflation adjustments for a 10-year contract for the annual hosting, maintenance, and support of the DRIVES IT system by the system vendor.
- Request item R2 reflects an increase of \$63,551 total funds, including \$1,177 General Fund for cost increases related to armored car services across several divisions.
- Request item R3 reflects a \$4.0 million cash fund increase for the Lottery Division based on contractual fees paid to the lottery system vendor and to lottery game retailers based on volume; the last adjustment to these line items occurred in FY 2008-09.
- Request item R4 totals \$43,734 cash funds for the Liquor Enforcement Division to provide approximately \$30,000 per year for equipment replacement and approximately \$14,000 per year for additional travel expenses for multi-day events and for travel to remote areas of the state to conduct additional underage compliance checks.
- Request item R5 "trues-up" the use of 2.0 FTE in the Business Enforcement Group with a net-neutral total funds adjustment across the Administration and Limited Gaming subdivisions.
- Request items R6 and R7 are negative adjustments which eliminate \$600,000 and \$1.2 million General Fund, respectively, for appropriations that are no longer necessary.

DISCUSSION

R1 DRIVES SYSTEM MAINTENANCE AND SUPPORT

The Department's R1 request includes \$2.6 million cash funds from several cash funds including the Licensing Services Cash Fund (LSCF) and the Colorado State Titling and Registration (CSTARS) account/Colorado DRIVES Vehicle Services account for FY 2018-19. This request will increase to an annual base cost of \$6,240,000 in FY 2019-20 plus an inflation adjustment and will include annual contractual increases for inflation based on the Denver/Boulder Consumer Price Index (CPI) in out years over the 10-year contract.

This request includes annual, operating funding for post-implementation hosting, maintenance, and support services for the Driver License, Record, Identification, and Vehicle Enterprise Solution (DRIVES) system. This IT project was funded as an IT capital construction project through appropriations in FY 2014-15 and FY 2015-16 totaling \$93.4 million.

The DRIVES project will be completed and implemented in August 2018 with a warranty period which extends through February 2019. Annual hosting, maintenance, and support services will be provided by the vendor, FAST Enterprises, LLC, beginning in March 2019, for a 10-year period. The following table outlines the 10-year contract period for hosting, maintenance, and support services.

DRIVES Hosting, Maintenance and Support Services Contract					
Fiscal Year	Period	Months	Base Request	CPI Contract Escalator*	Total Estimated Annual Cost
FY 2018-19	2/19-6/19	5	\$2,600,000	\$0	\$2,600,000
FY 2019-20	7/19-6/20	12	6,240,000	162,240	6,402,240
FY 2020-21	7/20-6/21	12	6,240,000	328,698	6,568,698
FY 2021-22	7/21-6/22	12	6,240,000	499,484	6,739,484
FY 2022-23	7/22-6/23	12	6,240,000	674,711	6,914,711
FY 2023-24	7/23-6/24	12	6,240,000	854,493	7,094,493
FY 2024-25	7/24-6/25	12	6,240,000	1,038,950	7,278,950
FY 2025-26	7/25-6/26	12	6,240,000	1,228,203	7,468,203
FY 2026-27	7/26-6/27	12	6,240,000	1,422,376	7,662,376
FY 2027-28	7/27-6/28	12	6,240,000	1,621,598	7,861,598
FY 2028-29	7/28-1/29	7	3,640,000	1,065,166	4,705,166
Total			\$62,400,000	\$8,895,921	\$71,295,921
* CPI estimated 2.6 percent					

The Department has projected a 5-year sustainability plan which identifies that payments can be made within the current fee structure. The Department states that the vendor also provides the Department's Gen-Tax system at a comparable rate. The Department states that it has looked at service contracts for similar systems in other states and identifies that the annual service cost for DRIVES is comparable. The DRIVES system includes a sunk-cost, capital project investment of up to \$93.4 million – the appropriation – and includes a signed contract for hosting, maintenance, and support services for 10 years with the vendor. The annual base cost of \$6.2 million represents an annual operating cost of approximately 6.7 percent of the total capital appropriation investment.

Based on: (1) the prior decisions made to fund this project; (2) the timing and transition to annual operating costs for the implemented system including a signed contract with the vendor; (3) the cost comparisons provided by the Department; and (4) the 5-year cash fund sustainability plan, staff does not have reservations about this request at this time and will likely recommend that the Committee approve this request at figure setting.

R2 ARMORED CAR APPROPRIATION INCREASE

The Department's R2 request includes an increase of \$63,551 total funds including \$1,177 General Fund and \$62,374 cash funds for FY 2018-19 and ongoing. Cash funds sources include the Licensing Services Cash Fund, the Limited Gaming Fund, and the Marijuana Cash Fund for FY 2018-19 and ongoing. Armored car costs are distributed across the Executive Director's Office, the Division of Motor Vehicles, the Division of Gaming, and the Marijuana Enforcement Division.

The Department processes large amounts of cash, which must be transported to the bank for deposit. Third-party armored car services is the most economical, efficient, and safest way to transport cash. Pick-ups are arranged for all Department satellite offices according to the volume of business conducted at each site. Armored transport is insured up to a maximum amount per shipment based on the historic average of each location. Costs increase per pick-up, but also increase based on liability

maximum; therefore the lowest cost mix of pick-ups and liability maximum are used to determine the frequency of pick-up.

The costs associated with armored car services have increased as a result of a recent solicitation process in which the Department's previous vendor did not bid. Additionally, the Department's cash collections continue to increase, further increasing costs identified in the current solicitation process.

Staff does not have concerns with this request and anticipates recommending that the Committee approve this request at figure setting.

R3 LOTTERY VENDOR FEES AND RETAIL COMPENSATION

The request includes an increase of \$4,028,785 cash funds from the Lottery Fund in FY 2018-19 and ongoing. Current projections identify a need of an additional \$1.7 million in vendor fees and \$2.3 million in retailer compensation to satisfy lottery contract provisions for vendors and retailers.

The Lottery's current vendor contract since January 2014 includes statewide support, a communications network, a central system, and other services for the Lottery's 3,100 retailers. These costs are paid out of the Vendor Fees line item.

Lottery retailers are paid a 7 percent commission on all scratch sales, a 6 percent commission on all jackpot sales, a 1 percent cashing bonus on the amount of all prizes claimed at the retail location, a variable bonus for selling top-prize-winning tickets, and a quarterly compliance bonus. These costs are paid from the Retailer Compensation line item.

These line items have not been adjusted since FY 2008-09 and are projected to exceed existing spending authority as early as the current fiscal year. The Department has projected a total need of just over \$4.0 million for both lines.

These lines are payments for contracts with vendors and retailers based on the volume of business and are not discretionary expenses of Lottery operations. Due to growth, these lines should reflect the current level of business and necessary spending authority. Staff does not have concerns with this request and anticipates recommending that the Committee approve this request at figure setting.

R4 LIQUOR ENFORCEMENT DIVISION OPERATING INCREASE

The request includes an increase of \$43,734 cash funds from the Liquor Enforcement Division and State Licensing Authority Cash Fund for FY 2018-19 and ongoing to support travel costs to improve compliance and enforcement operations statewide in remote areas and for equipment replacement.

The Liquor Enforcement Division is responsible for licensing and regulating businesses selling alcohol. There are currently over 13,000 liquor licenses in Colorado, of which 1,763 are new liquor establishments. The number of new breweries has tripled and the number of new distilleries has doubled in the last three years. Additionally, legislation has added new license types and modified existing types.

In FY 2015-16, the Liquor Enforcement Division completed underage compliance checks on 38 percent of all licensees compared to 30 percent in the prior year. The increase was partly attributable to a one-year grant from the Department of Transportation, which accounted for 15 percent of the

checks. The grant provided an extra \$21,600 in operating and travel expenses. The grant required five operations in three counties with the highest number of youth fatalities, which included El Paso, Jefferson, and Adams counties.

However, providing underage compliance checks at western slope and other more remote areas of the state as well as at multi-day festivals and other events throughout the state, require overnight stays. The Department's request totals \$14,094 for travel and lodging to complete enforcement activities at approximately eight multi-day events and to increase the number of overnight stays from 30 to 45 for single-day events.

Additionally, the request includes \$29,640 to replace two pieces of each type of equipment per year, including \$3,700 each for wires or "joeys", \$11,000 each for radios, and \$120 each for scanners. Currently, equipment is used beyond the recommended operating lifespan until failure. This part of the request will reestablish an equipment replacement cycle in the annual budget which will maintain recommended equipment lifecycle replacement periods.

The request reflects an increase of 41 percent in the operating expenses line item; however, the request reflects an increase of 1.5 percent in total Division appropriations of \$2.9 million. The Department's sustainability plan suggests that current fees and fund balance will be adequate to support the requested increase.

Staff supports the Department's request for operating expenses for equipment replacement. At this time, staff does not have significant concerns about the request for increased travel for underage compliance checks and will likely recommend approval of the request at figure setting.

R5 ENFORCEMENT BUSINESS GROUP REALIGNMENT

The request is for a realignment of 2.0 FTE from the Limited Gaming Division to the Administration section of the Enforcement Business Group for FY 2018-19 and ongoing. The request is a net-neutral adjustment in total funds, including an increase of \$1,908 General Fund, a net increase of \$78,524 reappropriated funds, and a net decrease of \$80,432 cash funds. The positions will be financed through the indirect cost model for the purpose of allocating the costs proportionally across all EBG programs and funding sources.

This request essentially "true-up" the budget relative to how the Department is using its staff. The positions formerly assigned to the Limited Gaming Division are being used for management and public information responsibilities across all Enforcement Business Group divisions.

Staff supports the Department's request for this realignment "true-up" and will likely recommend that the Committee approve the request at figure setting.

R6 GENTAX FRAUD MANAGER REDUCTION

The request includes a decrease of \$600,000 General Fund in FY 2018-19 and ongoing. This item was appropriated in a FY 2015-16 supplemental (S2) and FY 2016-17 budget amendment (BA1) to implement a functional service in the GenTax system. The Department and vendor were unable to reach agreement so the service was not implemented.

Expenditure of these funds is restricted in CORE since implementation never occurred. Nevertheless, staff will recommend at figure setting that the Committee approve this request.

R7 GROSS CONSERVATION EASEMENT REDUCTION

The request includes a decrease of \$1,216,425 General Fund for FY 2018-19 and ongoing. This appropriation was included in H.B. 11-1300 (Conservation Easement Tax Credit Dispute Resolution) for consultant work. The majority of the work has been completed and the appropriation for the consultant is no longer used.

Expenditure of these funds is restricted in CORE for this purpose. Nevertheless, staff will recommend at figure setting that the Committee approve this request.

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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DEPARTMENT OF REVENUE Michael Hartman, Executive Director

(1) EXECUTIVE DIRECTOR'S OFFICE

(A) Administration and Support

Personal Services	<u>8,640,343</u>	<u>8,861,412</u>	<u>9,308,619</u>	<u>9,500,870</u>
FTE	118.5	119.1	124.1	124.1
General Fund	4,133,244	3,182,842	3,491,030	3,680,120
Cash Funds	116,051	264,381	357,065	363,570
Reappropriated Funds	4,391,048	5,414,189	5,460,524	5,457,180
Health, Life, and Dental	<u>11,429,894</u> #	<u>10,731,918</u> #	<u>11,848,685</u>	<u>12,533,050</u>
General Fund	4,617,983	4,417,131	4,692,581	5,065,441
Cash Funds	6,811,911	6,297,694	7,132,434	7,449,412
Reappropriated Funds	0	17,093	23,670	18,197
Short-term Disability	<u>161,525</u> #	<u>137,294</u> #	<u>144,085</u>	<u>135,074</u>
General Fund	67,780	58,839	61,768	56,646
Cash Funds	93,745	78,292	82,147	78,262
Reappropriated Funds	0	163	170	166
S.B. 04-257 Amortization Equalization Disbursement	<u>3,256,984</u> #	<u>3,482,946</u> #	<u>3,797,608</u>	<u>3,978,588</u>
General Fund	1,364,916	1,491,518	1,625,206	1,666,122
Cash Funds	1,892,068	1,987,234	2,167,923	2,307,579
Reappropriated Funds	0	4,194	4,479	4,887

Figures represent the final appropriation for this line item, not actual expenditures.

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
S.B. 06-235 Supplemental Amortization Equalization					
Disbursement	<u>3,145,951</u> #	<u>3,446,668</u> #	<u>3,797,608</u>	<u>3,978,588</u>	
General Fund	1,318,385	1,475,982	1,625,206	1,666,122	
Cash Funds	1,827,566	1,966,535	2,167,923	2,307,579	
Reappropriated Funds	0	4,151	4,479	4,887	
Salary Survey	<u>1,013,694</u> #	<u>326,822</u> #	<u>1,444,882</u>	<u>2,582,782</u>	
General Fund	437,145	105,296	619,476	1,083,134	
Cash Funds	576,549	219,611	823,700	1,496,461	
Reappropriated Funds	0	1,915	1,706	3,187	
Merit Pay	<u>726,034</u> #	<u>0</u> #	<u>646,030</u>	<u>0</u>	
General Fund	296,561	0	268,996	0	
Cash Funds	429,473	0	376,166	0	
Reappropriated Funds	0	0	868	0	
Shift Differential	<u>123,728</u> #	<u>124,573</u> #	<u>130,712</u>	<u>126,584</u>	
General Fund	3,858	3,500	1,273	0	
Cash Funds	119,870	121,073	129,439	126,584	
Workers' Compensation	<u>998,853</u>	<u>1,053,760</u>	<u>985,589</u>	<u>1,085,728</u>	
General Fund	381,825	426,628	397,467	430,131	
Cash Funds	617,028	627,132	588,122	655,597	
Operating Expenses	<u>2,091,831</u>	<u>1,975,511</u>	<u>2,278,963</u>	<u>2,265,544</u> *	
General Fund	1,427,982	1,415,144	1,570,283	1,557,425	
Cash Funds	663,849	560,367	708,680	708,119	

Figures represent the final appropriation for this line item, not actual expenditures.

* Line item includes a decision item.

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Postage	<u>3,004,889</u>	<u>3,172,263</u>	<u>3,201,047</u>	<u>3,201,047</u>	
General Fund	2,667,280	2,816,199	2,840,891	2,840,891	
Cash Funds	337,609	356,064	360,156	360,156	
Legal Services	<u>3,944,797</u>	<u>4,227,438</u>	<u>4,218,602</u>	<u>4,391,135</u>	
General Fund	2,350,878	2,318,090	2,558,122	2,657,844	
Cash Funds	1,593,919	1,909,348	1,660,480	1,733,291	
Administrative Law Judge Services	<u>8,063</u>	<u>9,077</u>	<u>11,303</u>	<u>4,207</u>	
Cash Funds	8,063	9,077	11,303	4,207	
Payment to Risk Management and Property Funds	<u>265,490</u>	<u>312,968</u>	<u>336,022</u>	<u>250,550</u>	*
General Fund	102,817	126,926	135,510	99,259	
Cash Funds	162,673	186,042	200,512	151,291	
Vehicle Lease Payments	<u>494,025</u>	<u>540,940</u>	<u>660,489</u>	<u>664,360</u>	*
General Fund	127,406	140,720	170,950	170,950	
Cash Funds	366,619	400,220	489,539	493,410	
Leased Space	<u>3,763,941</u>	<u>3,850,674</u>	<u>4,767,476</u>	<u>5,054,751</u>	
General Fund	599,732	596,242	792,046	835,024	
Cash Funds	3,164,209	3,254,432	3,975,430	4,219,727	
Capitol Complex Leased Space	<u>2,326,019</u>	<u>2,315,184</u>	<u>2,555,249</u>	<u>2,329,785</u>	
General Fund	1,690,798	1,537,840	1,701,570	1,649,262	
Cash Funds	635,221	777,344	853,679	680,523	

* Line item includes a decision item.

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Payments to OIT	<u>15,093,157</u>	<u>15,567,279</u>	<u>19,125,207</u>	<u>16,568,372</u>	*
General Fund	7,546,246	8,026,495	11,155,787	10,143,317	
Cash Funds	7,546,911	7,540,784	7,969,420	6,425,055	
Reappropriated Funds	0	0	0	0	
CORE Operations	<u>297,297</u>	<u>422,525</u>	<u>718,378</u>	<u>804,259</u>	
General Fund	121,242	171,064	289,707	318,618	
Cash Funds	176,055	251,461	428,671	485,641	
Utilities	<u>72,279</u>	<u>78,443</u>	<u>143,703</u>	<u>143,703</u>	
Cash Funds	72,279	78,443	143,703	143,703	
SUBTOTAL - (A) Administration and Support	60,858,794	60,637,695	70,120,257	69,598,977	(0.7%)
FTE	<u>118.5</u>	<u>119.1</u>	<u>124.1</u>	<u>124.1</u>	0.0%
General Fund	29,256,078	28,310,456	33,997,869	33,920,306	(0.2%)
Cash Funds	27,211,668	26,885,534	30,626,492	30,190,167	(1.4%)
Reappropriated Funds	4,391,048	5,441,705	5,495,896	5,488,504	(0.1%)

(B) Hearings Division

Personal Services	<u>0</u>	<u>0</u>	<u>2,366,482</u>	<u>2,227,978</u>	*
FTE	0.0	0.0	29.6	29.6	
General Fund	0	0	178,955	0	
Cash Funds	0	0	2,187,527	2,227,978	
Operating Expenses	<u>0</u>	<u>0</u>	<u>101,408</u>	<u>95,457</u>	*
General Fund	0	0	2,470	0	
Cash Funds	0	0	98,938	95,457	

* Line item includes a decision item.

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>176,307</u>	<u>175,174</u>	
Cash Funds	0	0	176,307	175,174	
SUBTOTAL - (B) Hearings Division	0	0	2,644,197	2,498,609	(5.5%)
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>29.6</u>	<u>29.6</u>	0.0%
General Fund	0	0	181,425	0	(100.0%)
Cash Funds	0	0	2,462,772	2,498,609	1.5%
TOTAL - (1) Executive Director's Office	60,858,794	60,637,695	72,764,454	72,097,586	(0.9%)
<i>FTE</i>	<u>118.5</u>	<u>119.1</u>	<u>153.7</u>	<u>153.7</u>	0.0%
General Fund	29,256,078	28,310,456	34,179,294	33,920,306	(0.8%)
Cash Funds	27,211,668	26,885,534	33,089,264	32,688,776	(1.2%)
Reappropriated Funds	4,391,048	5,441,705	5,495,896	5,488,504	(0.1%)

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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(2) INFORMATION TECHNOLOGY DIVISION

(A) System Support

Personal Services	<u>146,064</u>	<u>130,684</u>	<u>100,000</u>	<u>100,000</u>	
General Fund	146,064	130,684	100,000	100,000	
Operating Expenses	<u>839,981</u>	<u>858,667</u>	<u>1,516,490</u>	<u>1,516,490</u>	
General Fund	771,084	783,117	1,109,976	1,109,976	
Cash Funds	68,897	75,550	406,514	406,514	

SUBTOTAL - (A) System Support	986,045	989,351	1,616,490	1,616,490	0.0%
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0%
General Fund	917,148	913,801	1,209,976	1,209,976	0.0%
Cash Funds	68,897	75,550	406,514	406,514	0.0%

(B) DMV IT System (DRIVES) Support

Personal Services	<u>0</u>	<u>0</u>	<u>550,688</u>	<u>442,688</u>	
Cash Funds	0	0	550,688	442,688	
Operating Expenses	<u>2,372,171</u>	<u>2,285,867</u>	<u>2,617,535</u>	<u>2,617,535</u>	
Cash Funds	2,372,171	2,285,867	2,617,535	2,617,535	
County Office Asset Maintenance	<u>556,380</u>	<u>532,342</u>	<u>568,230</u>	<u>568,230</u>	
Cash Funds	556,380	532,342	568,230	568,230	
County Office Improvements	<u>33,627</u>	<u>18,443</u>	<u>40,000</u>	<u>40,000</u>	
Cash Funds	33,627	18,443	40,000	40,000	

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
SUBTOTAL - (B) DMV IT System (DRIVES) Support	2,962,178	2,836,652	3,776,453	3,668,453	(2.9%)
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Cash Funds	2,962,178	2,836,652	3,776,453	3,668,453	(2.9%)
TOTAL - (2) Information Technology Division	3,948,223	3,826,003	5,392,943	5,284,943	(2.0%)
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	917,148	913,801	1,209,976	1,209,976	0.0%
Cash Funds	3,031,075	2,912,202	4,182,967	4,074,967	(2.6%)

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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(3) TAXATION BUSINESS GROUP

(A) Administration

Personal Services	<u>486,373</u>	<u>412,638</u>	<u>532,823</u>	<u>540,557</u>	
FTE	5.0	4.1	5.0	5.0	
General Fund	484,159	389,144	505,100	512,427	
Cash Funds	2,214	23,494	27,723	28,130	
Operating Expenses	<u>7,079</u>	<u>6,341</u>	<u>13,100</u>	<u>12,543</u>	*
General Fund	7,079	6,341	13,100	12,543	
Tax Administration IT System (GenTax) Support	<u>4,206,750</u>	<u>4,583,432</u>	<u>6,528,120 0.0</u>	<u>5,701,770 0.0</u>	*
General Fund	4,206,750	4,583,432	6,454,170	5,691,770	
Cash Funds	0	0	73,950	10,000	
Reappropriated Funds	0	0	0	0	

SUBTOTAL - (A) Administration	4,700,202	5,002,411	7,074,043	6,254,870	(11.6%)
FTE	<u>5.0</u>	<u>4.1</u>	<u>5.0</u>	<u>5.0</u>	0.0%
General Fund	4,697,988	4,978,917	6,972,370	6,216,740	(10.8%)
Cash Funds	2,214	23,494	101,673	38,130	(62.5%)
Reappropriated Funds	0	0	0	0	0.0%

(B) Taxation and Compliance Division

Personal Expenses	<u>16,186,684</u>	<u>15,083,887</u>	<u>17,426,840</u>	<u>17,788,866</u>	
FTE	239.6	218.7	234.6	234.6	
General Fund	15,782,065	14,435,050	16,207,728	16,547,328	
Cash Funds	254,312	508,919	1,065,027	1,087,453	
Reappropriated Funds	150,307	139,918	154,085	154,085	

* Line item includes a decision item.

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Operating Expenses	<u>878,457</u>	<u>991,890</u>	<u>1,057,353</u>	<u>1,029,745</u> *	
General Fund	862,789	976,239	1,031,212	1,005,549	
Cash Funds	15,668	15,651	26,141	24,196	
Joint Audit Program	<u>131,244</u>	<u>131,244</u>	<u>131,244</u>	<u>131,244</u>	
General Fund	131,244	131,244	131,244	131,244	
Mineral Audit Program	<u>25,216</u>	<u>826,290</u>	<u>890,388</u>	<u>890,388</u>	
FTE	10.2	10.0	10.2	10.2	
Reappropriated Funds	25,216	1,902	66,000	66,000	
Federal Funds	0	824,388	824,388	824,388	
SUBTOTAL - (B) Taxation and Compliance Division	17,221,601	17,033,311	19,505,825	19,840,243	1.7%
FTE	<u>249.8</u>	<u>228.7</u>	<u>244.8</u>	<u>244.8</u>	(0.0%)
General Fund	16,776,098	15,542,533	17,370,184	17,684,121	1.8%
Cash Funds	269,980	524,570	1,091,168	1,111,649	1.9%
Reappropriated Funds	175,523	141,820	220,085	220,085	0.0%
Federal Funds	0	824,388	824,388	824,388	0.0%

(C) Taxpayer Service Division

Personal Services	<u>6,440,031</u>	<u>8,347,680</u>	<u>8,424,420</u>	<u>8,616,529</u>	
FTE	113.1	129.3	137.6	137.6	
General Fund	6,282,728	8,111,050	8,119,069	8,304,362	
Cash Funds	157,303	236,630	305,351	312,167	
Operating Expenses	<u>468,082</u>	<u>478,848</u>	<u>524,961</u>	<u>508,769</u> *	
General Fund	464,749	475,319	520,281	504,686	
Cash Funds	3,333	3,529	4,680	4,083	

* Line item includes a decision item.

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Seasonal Tax Processing	<u>295,238</u>	<u>292,629</u>	<u>296,391</u>	<u>296,391</u>	
General Fund	295,238	292,629	296,391	296,391	
Document Management	<u>2,915,171</u>	<u>3,006,852</u>	<u>3,064,572</u>	<u>3,075,875</u>	
General Fund	2,907,060	3,000,622	3,026,053	3,037,356	
Cash Funds	8,111	6,230	38,519	38,519	
Fuel Tracking System	<u>539,614</u>	<u>481,136</u>	<u>495,569</u>	<u>497,442</u>	*
FTE	1.5	1.5	1.5	1.5	
Cash Funds	539,614	481,136	495,569	497,442	
Indirect Cost Assessment	<u>9,797</u>	<u>9,134</u>	<u>9,800</u>	<u>9,724</u>	
Cash Funds	9,797	9,134	9,800	9,724	
SUBTOTAL - (C) Taxpayer Service Division	10,667,933	12,616,279	12,815,713	13,004,730	1.5%
FTE	<u>114.6</u>	<u>130.8</u>	<u>139.1</u>	<u>139.1</u>	(0.0%)
General Fund	9,949,775	11,879,620	11,961,794	12,142,795	1.5%
Cash Funds	718,158	736,659	853,919	861,935	0.9%

(D) Tax Conferee

Personal Services	<u>1,252,067</u>	<u>1,165,030</u>	<u>2,727,972</u>	<u>1,714,139</u>	*
FTE	12.5	11.8	13.6	13.6	
General Fund	1,252,067	1,165,030	2,630,689	1,616,856	
Reappropriated Funds	0	0	97,283	97,283	
Operating Expenses	<u>25,940</u>	<u>35,877</u>	<u>62,504</u>	<u>60,905</u>	*
General Fund	25,940	35,877	62,504	60,905	

* Line item includes a decision item.

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
SUBTOTAL - (D) Tax Conferee	1,278,007	1,200,907	2,790,476	1,775,044	(36.4%)
<i>FTE</i>	<u>12.5</u>	<u>11.8</u>	<u>13.6</u>	<u>13.6</u>	<u>(0.0%)</u>
General Fund	1,278,007	1,200,907	2,693,193	1,677,761	(37.7%)
Reappropriated Funds	0	0	97,283	97,283	0.0%

(E) Special Purpose

Cigarette Tax Rebate	<u>10,542,818</u>	<u>10,308,809</u>	<u>10,800,000</u>	<u>8,141,834</u>	
General Fund	10,542,818	10,308,809	10,800,000	8,141,834	
Amendment 35 Distribution to Local Governments	<u>1,301,300</u>	<u>1,288,332</u>	<u>1,321,020</u>	<u>1,260,000</u>	
Cash Funds	1,301,300	1,288,332	1,321,020	1,260,000	
Old Age Heat and Fuel and Property Tax Assistance Grant	<u>5,807,240</u>	<u>6,679,191</u>	<u>5,300,000</u>	<u>5,634,000</u>	
General Fund	5,807,240	6,679,191	5,300,000	5,634,000	
Commercial Vehicle Enterprise Sales Tax Refund	<u>0</u>	<u>0</u>	<u>120,524</u>	<u>120,524</u>	
Cash Funds	0	0	120,524	120,524	
Retail Marijuana Sales Tax Distribution to Local Governments	<u>9,858,697</u>	<u>14,349,488</u>	<u>12,500,000</u>	<u>20,336,822</u>	
General Fund	9,858,697	14,349,488	12,500,000	20,336,822	
SUBTOTAL - (E) Special Purpose	27,510,055	32,625,820	30,041,544	35,493,180	18.1%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	26,208,755	31,337,488	28,600,000	34,112,656	19.3%
Cash Funds	1,301,300	1,288,332	1,441,544	1,380,524	(4.2%)

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
TOTAL - (3) Taxation Business Group	61,377,798	68,478,728	72,227,601	76,368,067	5.7%
<i>FTE</i>	<u>381.9</u>	<u>375.4</u>	<u>402.5</u>	<u>402.5</u>	<u>0.0%</u>
General Fund	58,910,623	64,939,465	67,597,541	71,834,073	6.3%
Cash Funds	2,291,652	2,573,055	3,488,304	3,392,238	(2.8%)
Reappropriated Funds	175,523	141,820	317,368	317,368	0.0%
Federal Funds	0	824,388	824,388	824,388	0.0%

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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(4) DIVISION OF MOTOR VEHICLES

(A) Administration

Personal Services	<u>1,438,633</u>	<u>1,402,610</u>	<u>1,591,393</u>	<u>1,617,866</u>	
FTE	18.9	16.8	18.9	18.9	
General Fund	229,494	234,776	234,707	231,797	
Cash Funds	1,161,790	1,121,876	1,305,341	1,334,724	
Reappropriated Funds	47,349	45,958	51,345	51,345	
Operating Expenses	<u>77,496</u>	<u>78,387</u>	<u>85,244</u>	<u>2,683,022</u>	*
General Fund	12,340	12,478	12,475	11,711	
Cash Funds	62,071	62,810	69,379	2,667,921	
Reappropriated Funds	3,085	3,099	3,390	3,390	

SUBTOTAL - (A) Administration	1,516,129	1,480,997	1,676,637	4,300,888	156.5%
FTE	<u>18.9</u>	<u>16.8</u>	<u>18.9</u>	<u>18.9</u>	0.0%
General Fund	241,834	247,254	247,182	243,508	(1.5%)
Cash Funds	1,223,861	1,184,686	1,374,720	4,002,645	191.2%
Reappropriated Funds	50,434	49,057	54,735	54,735	0.0%

(B) Driver Services

Personal Services	<u>16,808,829</u>	<u>19,118,430</u>	<u>20,762,455</u>	<u>21,318,659</u>	
FTE	399.1	416.7	399.1	399.1	
General Fund	7,148,247	3,031,041	3,064,873	3,156,569	
Cash Funds	9,551,463	16,004,110	17,586,548	18,048,524	
Reappropriated Funds	109,119	83,279	111,034	113,566	

* Line item includes a decision item.

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Operating Expenses	<u>2,096,586</u> 0.0	<u>2,074,558</u>	<u>3,213,873</u>	<u>2,320,192</u> *	
General Fund	418,104	418,104	418,104	411,155	
Cash Funds	1,668,312	1,653,292	2,785,599	1,898,867	
Reappropriated Funds	10,170	3,162	10,170	10,170	
Drivers License Documents	<u>4,888,229</u>	<u>5,985,311</u>	<u>6,571,858</u>	<u>6,571,858</u>	
Cash Funds	4,888,229	5,985,311	6,571,858	6,571,858	
Ignition Interlock Program	<u>943,613</u>	<u>848,488</u>	<u>1,231,832</u>	<u>1,240,450</u> *	
FTE	6.5	5.8	6.9	6.9	
Cash Funds	943,613	848,488	1,231,832	1,240,450	
Indirect Cost Assessment	<u>2,313,099</u>	<u>2,137,541</u>	<u>2,292,025</u>	<u>2,289,223</u>	
Cash Funds	2,313,099	2,137,541	2,292,025	2,289,223	
SUBTOTAL - (B) Driver Services	27,050,356	30,164,328	34,072,043	33,740,382	(1.0%)
FTE	<u>405.6</u>	<u>422.5</u>	<u>406.0</u>	<u>406.0</u>	(0.0%)
General Fund	7,566,351	3,449,145	3,482,977	3,567,724	2.4%
Cash Funds	19,364,716	26,628,742	30,467,862	30,048,922	(1.4%)
Reappropriated Funds	119,289	86,441	121,204	123,736	2.1%

(C) Vehicle Services

Personal Services	<u>2,228,530</u>	<u>2,349,120</u>	<u>2,640,590</u>	<u>2,710,549</u>	
FTE	49.2	45.8	50.0	50.0	
General Fund	446,139	453,247	453,247	466,605	
Cash Funds	1,782,391	1,895,873	2,187,343	2,243,944	

* Line item includes a decision item.

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Operating Expenses	<u>367,451</u>	<u>448,144</u>	<u>459,882</u>	<u>454,002</u>	*
General Fund	27,169	27,169	27,169	26,157	
Cash Funds	340,282	420,975	432,713	427,845	
License Plate Ordering	<u>5,922,519</u>	<u>8,343,789</u>	<u>10,195,299</u>	<u>10,197,124</u>	
General Fund	9,539	209,000	216,315	216,315	
Cash Funds	5,912,980	8,134,789	9,978,984	9,980,809	
Motorist Insurance Identification Database Program	<u>234,656</u>	<u>182,104</u>	<u>337,006</u>	<u>338,255</u>	*
FTE	1.0	1.0	1.0	1.0	
Cash Funds	234,656	182,104	337,006	338,255	
Emissions Program	<u>998,658</u>	<u>1,082,192</u>	<u>1,256,439</u>	<u>1,275,174</u>	*
FTE	15.0	13.8	15.0	15.0	
Cash Funds	998,658	1,082,192	1,256,439	1,275,174	
Indirect Cost Assessment	<u>345,973</u>	<u>354,937</u>	<u>386,449</u>	<u>382,961</u>	
Cash Funds	345,973	354,937	386,449	382,961	
SUBTOTAL - (C) Vehicle Services	10,097,787	12,760,286	15,275,665	15,358,065	0.5%
FTE	<u>65.2</u>	<u>60.6</u>	<u>66.0</u>	<u>66.0</u>	(0.0%)
General Fund	482,847	689,416	696,731	709,077	1.8%
Cash Funds	9,614,940	12,070,870	14,578,934	14,648,988	0.5%
TOTAL - (4) Division of Motor Vehicles	38,664,272	44,405,611	51,024,345	53,399,335	4.7%
FTE	<u>489.7</u>	<u>499.9</u>	<u>490.9</u>	<u>490.9</u>	(0.0%)
General Fund	8,291,032	4,385,815	4,426,890	4,520,309	2.1%
Cash Funds	30,203,517	39,884,298	46,421,516	48,700,555	4.9%
Reappropriated Funds	169,723	135,498	175,939	178,471	1.4%

* Line item includes a decision item.

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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(5) ENFORCEMENT BUSINESS GROUP

(A) Administration

Personal Services	<u>677,192</u>	<u>646,901</u>	<u>716,238</u>	<u>980,001</u> *	
FTE	8.0	7.1	8.0	10.0	
General Fund	21,821	5,108	5,418	7,407	
Cash Funds	400,441	375,264	459,266	642,965	
Reappropriated Funds	254,930	266,529	251,554	329,629	
Operating Expenses	<u>11,420</u>	<u>8,274</u>	<u>12,780</u>	<u>14,680</u> *	
General Fund	397	69	97	111	
Cash Funds	6,751	4,853	8,194	9,631	
Reappropriated Funds	4,272	3,352	4,489	4,938	

SUBTOTAL - (A) Administration	688,612	655,175	729,018	994,681	36.4%
FTE	<u>8.0</u>	<u>7.1</u>	<u>8.0</u>	<u>10.0</u>	<u>25.0%</u>
General Fund	22,218	5,177	5,515	7,518	36.3%
Cash Funds	407,192	380,117	467,460	652,596	39.6%
Reappropriated Funds	259,202	269,881	256,043	334,567	30.7%

(B) Limited Gaming Division

Personal Services	<u>6,731,954</u>	<u>6,564,135</u>	<u>7,066,096</u>	<u>6,937,637</u> *	
FTE	84.4	83.0	91.0	89.0	
Cash Funds	6,731,954	6,564,135	7,066,096	6,937,637	
Operating Expenses	<u>561,843</u>	<u>593,262</u>	<u>1,032,595</u>	<u>1,022,457</u> *	
Cash Funds	561,843	593,262	1,032,595	1,022,457	

* Line item includes a decision item.

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Payments to Other State Agencies	<u>4,067,179</u>	<u>4,382,568</u>	<u>4,497,011</u>	<u>4,497,011</u>	
Cash Funds	4,067,179	4,382,568	4,497,011	4,497,011	
Distribution to Gaming Cities and Counties	<u>103,675,404</u>	<u>104,071,668</u>	<u>23,788,902</u>	<u>23,788,902</u>	
Cash Funds	103,675,404	104,071,668	23,788,902	23,788,902	
Indirect Cost Assessment	<u>573,006</u>	<u>834,076</u>	<u>599,370</u>	<u>583,285</u>	
Cash Funds	573,006	834,076	599,370	583,285	
SUBTOTAL - (B) Limited Gaming Division	115,609,386	116,445,709	36,983,974	36,829,292	(0.4%)
FTE	84.4	83.0	91.0	89.0	(2.2%)
Cash Funds	115,609,386	116,445,709	36,983,974	36,829,292	(0.4%)

(C) Liquor and Tobacco Enforcement Division

Personal Services	<u>2,349,715</u>	<u>2,104,366</u>	<u>2,607,793</u>	<u>2,697,773</u>	
FTE	26.5	26.7	30.0	31.5	
General Fund	162,183	93,587	168,589	171,607	
Cash Funds	2,187,532	2,010,779	2,439,204	2,526,166	
Operating Expenses	<u>90,448</u>	<u>98,599</u>	<u>111,637</u>	<u>153,091</u>	*
General Fund	7,201	4,808	7,201	6,965	
Cash Funds	83,247	93,791	104,436	146,126	
Indirect Cost Assessment	<u>122,089</u>	<u>155,330</u>	<u>187,063</u>	<u>195,180</u>	
Cash Funds	122,089	155,330	187,063	195,180	

* Line item includes a decision item.

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
SUBTOTAL - (C) Liquor and Tobacco Enforcement					
Division	2,562,252	2,358,295	2,906,493	3,046,044	4.8%
<i>FTE</i>	<u>26.5</u>	<u>26.7</u>	<u>30.0</u>	<u>31.5</u>	<u>5.0%</u>
General Fund	169,384	98,395	175,790	178,572	1.6%
Cash Funds	2,392,868	2,259,900	2,730,703	2,867,472	5.0%
(D) Division of Racing Events					
Personal Services	<u>781,663</u>	<u>822,518</u>	<u>925,806</u>	<u>936,329</u>	
<i>FTE</i>	<u>7.7</u>	<u>6.7</u>	<u>7.7</u>	<u>7.7</u>	
Cash Funds	781,663	822,518	925,806	936,329	
Operating Expenses	<u>180,576</u>	<u>209,427</u>	<u>221,627</u>	<u>220,721</u>	*
Cash Funds	180,576	209,427	221,627	220,721	
Purses and Breeders Awards	<u>1,327,703</u>	<u>1,362,526</u>	<u>1,400,000</u>	<u>1,400,000</u>	
Cash Funds	1,327,703	1,362,526	1,400,000	1,400,000	
Indirect Cost Assessment	<u>46,199</u>	<u>47,312</u>	<u>50,716</u>	<u>50,615</u>	
Cash Funds	46,199	47,312	50,716	50,615	
SUBTOTAL - (D) Division of Racing Events					
	2,336,141	2,441,783	2,598,149	2,607,665	0.4%
<i>FTE</i>	<u>7.7</u>	<u>6.7</u>	<u>7.7</u>	<u>7.7</u>	<u>0.0%</u>
Cash Funds	2,336,141	2,441,783	2,598,149	2,607,665	0.4%

* Line item includes a decision item.

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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(E) Hearings Division

Personal Services	<u>1,729,875</u>	<u>1,953,428</u>	<u>0</u>	<u>0</u>	
FTE	29.6	26.6	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	1,729,875	1,953,428	0	0	
Operating Expenses	<u>77,457</u>	<u>59,680</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	77,457	59,680	0	0	
Indirect Cost Assessment	<u>134,019</u>	<u>164,491</u>	<u>0</u>	<u>0</u>	
Cash Funds	134,019	164,491	0	0	

SUBTOTAL - (E) Hearings Division	1,941,351	2,177,599	0	0	0.0%
FTE	<u>29.6</u>	<u>26.6</u>	<u>0.0</u>	<u>0.0</u>	0.0%
General Fund	0	0	0	0	0.0%
Cash Funds	1,941,351	2,177,599	0	0	0.0%

(F) Motor Vehicle Dealer Licensing Board

Personal Services	<u>1,952,304</u>	<u>1,860,566</u>	<u>2,294,183</u>	<u>2,338,324</u>	
FTE	27.2	27.6	32.3	32.3	
Cash Funds	1,952,304	1,860,566	2,294,183	2,338,324	
Operating Expenses	<u>132,645</u>	<u>132,981</u>	<u>194,524</u>	<u>138,691</u>	*
Cash Funds	132,645	132,981	194,524	138,691	
Indirect Cost Assessment	<u>176,258</u>	<u>167,130</u>	<u>179,152</u>	<u>216,746</u>	
Cash Funds	176,258	167,130	179,152	216,746	

* Line item includes a decision item.

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
SUBTOTAL - (F) Motor Vehicle Dealer Licensing					
Board	2,261,207	2,160,677	2,667,859	2,693,761	1.0%
FTE	<u>27.2</u>	<u>27.6</u>	<u>32.3</u>	<u>32.3</u>	(0.0%)
Cash Funds	2,261,207	2,160,677	2,667,859	2,693,761	1.0%
(G) Marijuana Enforcement					
Marijuana Enforcement	<u>5,740,461</u>	<u>7,624,483</u>	<u>9,934,591</u>	<u>10,012,073</u> *	
FTE	74.9	77.4	104.0	104.1	
Cash Funds	5,740,461	7,624,483	9,934,591	10,012,073	
Indirect Cost Assessment	<u>495,385</u>	<u>1,111,282</u>	<u>825,052</u>	<u>805,778</u>	
Cash Funds	495,385	1,111,282	825,052	805,778	
SUBTOTAL - (G) Marijuana Enforcement	6,235,846	8,735,765	10,759,643	10,817,851	0.5%
FTE	<u>74.9</u>	<u>77.4</u>	<u>104.0</u>	<u>104.1</u>	0.1%
Cash Funds	6,235,846	8,735,765	10,759,643	10,817,851	0.5%
TOTAL - (5) Enforcement Business Group	131,634,795	134,975,003	56,645,136	56,989,294	0.6%
FTE	<u>258.3</u>	<u>255.1</u>	<u>273.0</u>	<u>274.6</u>	0.6%
General Fund	191,602	103,572	181,305	186,090	2.6%
Cash Funds	131,183,991	134,601,550	56,207,788	56,468,637	0.5%
Reappropriated Funds	259,202	269,881	256,043	334,567	30.7%

* Line item includes a decision item.

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
(6) STATE LOTTERY DIVISION					
Personal Services	<u>7,529,311</u>	<u>7,956,300</u>	<u>9,491,527</u>	<u>9,651,554</u>	
FTE	117.1	111.1	117.1	117.1	
Cash Funds	7,529,311	7,956,300	9,491,527	9,651,554	
Operating Expenses	<u>1,056,396</u>	<u>1,011,208</u>	<u>1,203,156</u>	<u>1,189,385</u>	*
Cash Funds	1,056,396	1,011,208	1,203,156	1,189,385	
Payments to Other State Agencies	<u>92,338</u>	<u>85,530</u>	<u>239,410</u>	<u>239,410</u>	
Cash Funds	92,338	85,530	239,410	239,410	
Travel	<u>103,110</u>	<u>96,939</u>	<u>113,498</u>	<u>113,498</u>	
Cash Funds	103,110	96,939	113,498	113,498	
Marketing and Communications	<u>11,138,537</u>	<u>13,634,185</u>	<u>14,700,000</u>	<u>14,700,000</u>	
Cash Funds	11,138,537	13,634,185	14,700,000	14,700,000	
Multi-State Lottery Fees	<u>111,812</u>	<u>119,397</u>	<u>177,433</u>	<u>177,433</u>	
Cash Funds	111,812	119,397	177,433	177,433	
Vendor Fees	<u>10,764,406</u>	<u>10,029,041</u>	<u>12,571,504</u>	<u>14,269,479</u>	*
Cash Funds	10,764,406	10,029,041	12,571,504	14,269,479	
Retailer Compensation	<u>1,598,814</u>	<u>40,759,281</u>	<u>52,241,350</u>	<u>54,572,160</u>	*
Cash Funds	1,598,814	40,759,281	52,241,350	54,572,160	
Ticket Costs	<u>3,807,654</u>	<u>3,915,189</u>	<u>6,578,000</u>	<u>6,578,000</u>	
Cash Funds	3,807,654	3,915,189	6,578,000	6,578,000	

* Line item includes a decision item.

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Research	<u>156,225</u>	<u>0</u>	<u>250,000</u>	<u>250,000</u>	
Cash Funds	156,225	0	250,000	250,000	
Indirect Cost Assessment	<u>434,425</u>	<u>702,837</u>	<u>754,590</u>	<u>748,494</u>	
Cash Funds	434,425	702,837	754,590	748,494	
TOTAL - (6) State Lottery Division	36,793,028	78,309,907	98,320,468	102,489,413	4.2%
<i>FTE</i>	<u>117.1</u>	<u>111.1</u>	<u>117.1</u>	<u>117.1</u>	0.0%
Cash Funds	36,793,028	78,309,907	98,320,468	102,489,413	4.2%
TOTAL - Department of Revenue	333,276,910	390,632,947	356,374,947	366,628,638	2.9%
<i>FTE</i>	<u>1,365.5</u>	<u>1,360.6</u>	<u>1,437.2</u>	<u>1,438.8</u>	0.1%
General Fund	97,566,483	98,653,109	107,595,006	111,670,754	3.8%
Cash Funds	230,714,931	285,166,546	241,710,307	247,814,586	2.5%
Reappropriated Funds	4,995,496	5,988,904	6,245,246	6,318,910	1.2%
Federal Funds	0	824,388	824,388	824,388	0.0%

APPENDIX B

RECENT LEGISLATION AFFECTING DEPARTMENT BUDGET

2016 SESSION BILLS

S.B. 16-030 (MOTOR VEHICLE WEIGHT VIOLATION SURCHARGES): Changes the variable surcharge rate for overweight vehicle violations to a flat 16 percent of the penalty for all violations. Previously, individuals convicted of violating motor vehicle weight limits or the terms of overweight permits paid a variable penalty and a surcharge, depending on the level of excess weight. In FY 2016-17, appropriates \$12,566 General Fund to the Department of Revenue.

S.B. 16-036 (SURETY REQUIREMENT FOR APPEALING TAX BILLS CLAIMED): Changes the circumstances under which a taxpayer is required to set aside money when he or she files a notice of appeal of a tax decision with a court. The bill repeals the requirement that a taxpayer set aside money for all appeals to a district court, except in cases of a frivolous tax claim submission as determined by the Department of Revenue (DOR). Rather than setting aside money before a tax case is heard by the district court, a taxpayer does not have to set aside money unless he or she appeals a district court decision to an appellate court or to the Colorado Supreme Court. In FY 2016-17, appropriates \$100,000 General Fund to the Department of Revenue.

S.B. 16-040 (MARIJUANA OWNER CHANGES): Replaces the current statutory definition for owner of a licensed medical or retail marijuana business (marijuana business) with two new ownership categories: direct beneficial interest owners (direct owners) and indirect beneficial interest owners (indirect owners).

A direct owner is a person or closely held business entity that owns a share or shares of stock in a licensed marijuana business, including the officers, directors, managing members, or partners of the licensed marijuana business or closely held business entity, or a qualified limited passive investor. A licensed marijuana business can be comprised of an unlimited number of direct owners if all owners are Colorado residents, but is limited to 15 direct owners if the business has any out-of-state owners. The Marijuana Enforcement Division (MED) in the Department of Revenue (DOR) may increase the number of direct owners based on developments in state and federal financial regulations, market conditions, and the licensee's ability to access legitimate sources of capital.

A direct owner who is a natural person must be a resident of Colorado for at least one year or a U.S. citizen prior to applying for a license. A person who intends to apply as a direct owner who has not been a Colorado resident for at least one year must submit a request for a finding of suitability from the MED and receive a finding of suitability prior to applying for a license. A direct owner that is a closely held business entity must consist entirely of natural persons who are U.S. citizens including all parent and subsidiary entities, prior to applying for a license.

A qualified limited passive investor is a natural person, a U.S. citizen and a passive investor who owns less than a 5 percent share or shares of stock in a marijuana business. A qualified limited passive investor is a direct owner but is subject to a limited background investigation. If the initial background check provides reasonable cause for additional investigation, the MED may require a full background

check. The MED may promulgate rules on the parameters and qualifications of a qualified limited passive investor.

The category of indirect owner includes permitted economic interest holders (PEIs), royalty recipients, licensed employees who receive profit sharing, and qualified institutional investors. The bill allows qualified institutional investors to own up to 30 percent of a marijuana business. Institutional investors includes banks, insurance companies, investment companies, investment advisers, collective trust funds, employee benefit plans, pension funds, and a group comprised of these. The MED may promulgate rules on the parameters and qualifications of indirect owners and expand the list of persons or entities through rule.

In FY 2016-17, appropriates \$995,738 cash funds from the Marijuana Cash Fund and 9.8 FTE to the Department of Revenue.

S.B. 16-197 (LIQUOR-LICENSED DRUGSTORES MULTIPLE LOCATIONS): Allows a liquor-licensed drugstore to obtain additional liquor-licensed drugstore licenses, under which drugstores are permitted to sell malt, vinous, and spirituous liquors in sealed containers for consumption off the licensed premises, if the liquor-licensed drugstore licensee:

- Applies to the state and local licensing authorities, as part of a single application, to transfer ownership of at least 2 retail liquor stores that were licensed or for which a license application was pending as of the May 1, 2016, change the location of one of the retail liquor stores, and merge and convert the 2 retail liquor store licenses into a single liquor-licensed drugstore license;
- Applies to transfer retail liquor stores located within the same local licensing jurisdiction as the drugstore premises for which a license is sought, or if there are no retail liquor stores or only one retail liquor store within the same jurisdiction, applies to transfer ownership of one or 2 retail liquor store licenses, as necessary, that are located in the local licensing jurisdiction nearest to the jurisdiction in which the drugstore premises is located; and
- If any retail liquor stores are located within 1,500 feet of the drugstore premises for which a license is sought or, in municipalities with a population of 10,000 or fewer, within 3,000 feet of the drugstore premises, the applicant transfers ownership of all retail liquor stores within that radius.

In making its determination on the application, the local licensing authority is required to consider the reasonable requirements of the neighborhood. Additionally, new liquor-licensed drugstores must be open to the public and must demonstrate that at least 20% of their total annual gross revenues are derived from the sale of food items.

A liquor-licensed drugstore may obtain additional liquor-licensed drugstore licenses as follows:

- On or after January 1, 2017, and before January 1, 2022, 4 additional liquor-licensed drugstore licenses for a maximum of 5 total liquor-licensed drugstore licenses;
- On or after January 1, 2022, and before January 1, 2027, 7 additional liquor-licensed drugstore licenses for a maximum of 8 total liquor-licensed drugstore licenses;
- On or after January 1, 2027, and before January 1, 2032, 12 additional liquor-licensed drugstore licenses for a maximum of 13 total liquor-licensed drugstore licenses;
- On or after January 1, 2032, and before January 1, 2037, 19 additional liquor-licensed drugstore licenses for a maximum of 20 total liquor-licensed drugstore licenses; and

- On or after January 1, 2037, an unlimited number of additional liquor-licensed drugstore licenses.

A liquor-licensed drugstore shall:

- Not sell alcohol beverages at a price that is lower than the drugstore's cost to purchase the products;
- Ensure that an employee completes alcohol beverage transactions with customers directly rather than through a self-checkout register;
- Maintain certification as a responsible alcohol beverage vendor;
- Not sell clothing or accessories imprinted with advertising, logos, or slogans related to alcohol beverages;
- Not store alcohol products off the licensed premises; and
- Designate a manager who has been permitted by the state licensing authority to conduct the store's alcohol beverage purchases with licensed wholesalers.

Additionally, a drugstore that obtains a liquor license on or after January 1, 2017, must effect payment upon delivery and cannot purchase alcohol beverages on credit.

The state licensing authority may issue a manager's permit to a liquor-licensed drugstore manager who controls the drugstore's alcohol beverage operations if the permit applicant satisfies specified criteria.

A liquor-licensed drugstore must pay an application fee to both the state licensing authority and the local licensing authority and, if the application is granted, is subject to applicable annual liquor-licensed drugstore licensing fees.

Effective January 1, 2019, the bill removes the maximum alcohol content of fermented malt beverages, thereby allowing licensed fermented malt beverage retailers to sell beer with an alcohol content in excess of 3.2% by weight or 4% by volume. The state licensing authority is to convene a working group of industry and state and local government representatives to develop an implementation process for transitioning to the sale of malt liquor by fermented malt beverage retailers.

The bill removes restrictions on the sale of nonalcohol products by a retail liquor store but caps the annual gross revenue from sale of nonalcohol products as 20 percent of the retail liquor store's total annual gross revenue.

The bill permits a retail liquor store owner who is a Colorado resident and who obtained a retail liquor store license on or before January 1, 2016 to have an interest in additional retail liquor store licenses as follows, if the premises for which the additional license is sought satisfies the radius requirements:

- On or after January 1, 2017, and before January 1, 2022, one additional retail liquor store license, for a maximum of 2 total retail liquor store licenses;
- On or after January 1, 2022, and before January 1, 2027, 2 additional retail liquor store licenses, for a maximum of 3 total retail liquor store licenses; and
- On or after January 1, 2027, 3 additional retail liquor store licenses, for a maximum of 4 total retail liquor store licenses.

All licensed retailers will have to verify that each customer attempting to purchase alcohol beverages is at least 21 years of age by requiring the customer to present a valid, government-issued document that includes the customer's photograph and date of birth.

Additionally, liquor-licensed drugstores and retail liquor store licensees are prohibited from allowing an employee under 21 years of age to sell, deliver, or otherwise have contact with malt, vinous, or spirituous liquors offered for sale on, or sold and removed from, the licensed premises.

Finally, for FY 2016-17, appropriates \$398,682 to the Department of Revenue from the Liquor Enforcement Division and State Licensing Authority Cash Fund.

H.B. 16-1056 (TOW OPERATOR ABANDONED VEHICLE TITLE SEARCH): Broadens the records search employed by the Department of Revenue (DOR) to locate owners and lienholders of abandoned motor vehicles. Previously, only Colorado records were searched in order to locate the owner or lienholder of an abandoned vehicle. The act requires the DOR to perform a national records search using a qualified entity that has a national database and that can retrieve records based both on the vehicle's VIN (vehicle identification number) and registration number (license plate). The qualified entity must also be able to provide appropriate owner and lienholder contact information. The DOR may charge tow operators a fee for the national search not to exceed the lesser of \$5 or its direct and indirect costs.

The act also increases the notification deadline, from three to five days, in which tow operators must determine whether there is an owner or lienholder registered with the DOR and send notice to those parties, and clarifies that the time spent by the DOR conducting the national records search does not count against the tow operator's 10-day deadline to contact the motor vehicle's owner or lienholder. In FY 2016-17, appropriates \$21,929 cash funds to the Department of Revenue.

H.B. 16-1211 (MARIJUANA TRANSPORTER LICENSE): Creates state medical and retail marijuana transporter (marijuana transporter) licenses to be issued by the Marijuana Enforcement Division (MED) in the Department of Revenue (DOR), and allows for the issuance of a local medical marijuana transporter license. A marijuana transporter provides logistics, distribution, and storage of medical and retail marijuana and marijuana-infused products, but is not authorized to sell marijuana under any circumstances. All marijuana transporters must be licensed by July 1, 2017, with the exception of a marijuana transporter for a medical marijuana business or retail marijuana establishment that provides its own distribution. In FY 2016-17, appropriates \$76,284 to the Department of Revenue.

H.B. 16-1261 (RETAIL MARIJUANA SUNSET): Continues the Colorado Retail Marijuana Code until September 1, 2019, and makes changes regarding licensing, rulemaking, industry operations, county-initiated ballot measures, and criminal provisions, as outlined below.

LICENSING

- Creates licenses for retail marijuana transporters and retail marijuana establishment operators; and
- repeals the requirement that a license application be denied based on a previous denial at the same location.

RULEMAKING

- Clarifies that standards pertaining to packaging and labeling of retail marijuana is a matter of statewide concern and regulated by the Marijuana Enforcement Division (MED) in the Department of Revenue (DOR);
- repeals the requirement that marijuana-themed magazines only be sold in retail marijuana stores or behind the counter in stores where people under 21 are present; and
- repeals the DOR's authority to promulgate rules prohibiting misrepresentation and unfair practices.

INDUSTRY OPERATIONS

- Harmonizes the mandatory testing provisions for retail marijuana with those in the Colorado Medical Marijuana Code;
- allows a licensee the opportunity to remediate a product that has tested positive for a microbial;
- allows for performance-based incentives for employees of cultivation facilities and products manufacturers;
- exempts non-edible, non-psychoactive retail marijuana products from the one ounce per transaction limit;
- repeals the one-quarter ounce limitation on the amount of retail marijuana that can be sold to a non-resident;
- requires that a display case containing marijuana concentrate include the potency of the concentrate next to the name of the product; and
- allows trade craftspeople to be reasonably monitored rather than accompanied on a full-time basis while working in a limited access area.

COUNTY-INITIATED BALLOT MEASURES

- Requires that not less than 15 percent of the registered electors in a county sign a petition for a county-initiated measure related to retail marijuana in order for it to be placed on the ballot.

CRIMINAL PROVISIONS

- Creates a new level 1 drug misdemeanor for the transfer of marijuana or marijuana concentrate at no cost if the transfer is related to remuneration for any other service or product.

APPROPRIATION:

- Appropriates \$132,251 cash funds to the Department of Revenue for FY 2016-17.

H.B. 16-1332 (ALTERNATIVE FUEL MOTOR VEHICLE INCOME TAX CREDITS): Changes the computation of the income tax credit from being based on the vehicle's cost and battery capacity to fixed credit amounts for each category and truck weight class beginning tax year 2017. Beginning in tax year 2017, repeals the credit previously available for purchase, lease, or conversion of Category 2 and Category 3 vehicles, which are diesel-electric hybrid vehicles with a fuel economy of at least 70 miles per gallon. Authorizes the taxpayer to transfer the entire tax credit allowed to a financing entity when a purchase or lease is finalized. In FY 2016-17, appropriates \$37,038 General Fund to the Department of Revenue.

H.B. 16-1405 (LONG BILL): General appropriations act for FY 2016-17.

H.B. 16-1415 (DRIVER AND MOTOR VEHICLES SERVICES): Provides a process to eventually cash

fund the Division of Motor Vehicles (DMV) with fees. Specifically, this bill makes the following changes:

- Exempts the Licensing Services Cash Fund, which receives the fee revenue from DMV activities, from the statutory limit on cash fund reserves to allow the Department to build a cash fund balance in years where issuance cycles are high so the DMV can fund activities for fiscal years when issuance cycles are low;
- Clarifies that the surcharge on retaking either the written driving test or the practical drive test applies regardless of whether an applicant retakes the examination with the DMV or an approved third-party vendor;
- Eliminates the end of year sweep of money in the Licensing Services Cash Fund to the Highway Users Tax Fund to allow the Department to plan for issuance cycles it forecasts and manage the fund in a manner to fully cash fund the DMV;
- Makes changes to a number of the DMV fees to more closely approximate the actual cost of providing the service. The fee for driver's licenses includes increases over three years to \$26 in FY 2016-17, \$27 in FY 2017-18, and \$28 in FY 2018-19; and
- Allows counties issuing driver's licenses to retain an increased amount of the fee charged for driver's licenses based on the size of the issuing county.

In FY 2016-17, reduces the Long Bill appropriation to the DMV by \$3.2 million General Fund and increases the cash fund appropriation to the DMV by \$3.2 million consisting of \$2.0 million from the Highway Users Tax Fund and \$1.2 million from the Licensing Services Cash Fund.

2017 SESSION BILLS

S.B. 17-169 (SUPPLEMENTAL BILL): Modifies FY 2016-17 appropriations to the Department.

S.B. 17-187 (RESIDENCY EXEMPTION FOR MARIJUANA EDUCATION-BASED OCCUPATION): Authorizes the Marijuana Enforcement Division (MED) to exempt from the medical or retail marijuana occupational license residency requirement for up to two years someone who is participating in a marijuana-based education program that is designed to train individuals to work in the legal marijuana industry. Includes penalties for individuals who participate in the program but commit perjury by attesting they work in the field when they do not. In FY 2017-18, appropriates \$1,159 from the Marijuana Cash Fund to the MED and reappropriates \$1,159 from the Department of Revenue to the Department of Public Safety to perform the required background checks.

S.B. 17-192 (MARIJUANA BUSINESS EFFICIENCY MEASURES): Allows for a single-instance transfer of retail marijuana and retail marijuana products from a retail marijuana licensee to a medical marijuana licensee, changes the provisions for calculating the average market rate, and creates a contract price to use when calculating excise taxes between unaffiliated retail marijuana businesses. Also clarifies that the Marijuana Enforcement Division in the Department of Revenue can take action against a licensee upon a violation of law whether the license active, expired, or surrendered. For FY 2017-18, appropriates \$69,058 total funds, including \$9,600 General Fund, to the Department of Revenue.

S.B. 17-240 (SUNSET MOTOR VEHICLE DEALERS SALES): Continues the Motor Vehicle Dealer Board and the regulation of powersports vehicle sales through September 1, 2027. Implements some of the recommendations from the Department of Regulatory Agencies' sunset report, including:

- Requiring a fingerprint-based criminal history background check for all licensees;
- Requiring an additional license for any new ownership interest in a licensed entity;
- Subjecting a principle dealer license to discipline when he or she violates the laws governing salespeople by acting as a salesperson;
- Requiring people who have had licenses revoked to wait one year before applying for a new license; and
- Codifying the Auto Industry Division (AID) as a Type 2 transfer under the Department of Revenue (DOR) and making administrative updates.

For FY 2017-18, appropriates \$175,551 cash funds to the Departments of Public Safety and Revenue. Of this amount, \$162,983 is from the Colorado Bureau of Investigation Identification Unit Fund and appropriated to the Department of Public Safety, and \$12,568 is from the Auto Dealers License Fund and appropriated to the Department of Revenue.

S.B. 17-254 (LONG BILL): General appropriations act for FY 2017-18.

S.B. 17-267 (SUSTAINABILITY OF RURAL COLORADO): This summary applies specifically to the Department of Revenue. See Part III of the Department of Health Care Policy and Financing and Appendix J for more detailed information on this bill. The bill:

- Specifies that reimbursements to local governments from the state for property tax exemptions for qualifying seniors and disabled veterans are a TABOR refund mechanism in years when a refund is required;
- Increases the rate of retail marijuana sales tax (currently 10 percent and scheduled to decrease under current law to 8 percent) to 15 percent effective July 1, 2017;
 - Offsets a portion of the state retail marijuana sales tax rate increase by exempting retail sales of marijuana upon which the state retail marijuana sales tax is imposed from the 2.9 percent general state sales tax, but provides that local governments can continue to impose their local general sales taxes on retail sales of marijuana;
 - Holds local governments that currently receive an allocation of 15 percent of state retail marijuana sales tax revenue based on the current tax rate of 10 percent harmless by specifying that on and after July 1, 2017, they receive an allocation of 10 percent of state retail marijuana sales tax revenue based on the new rate of 15 percent;
 - Of the 90 percent of the state retail marijuana sales tax revenue that the state retains for FY 2017-18:
 - 28.15 percent less \$30 million stays in the general fund
 - 71.85 percent is credited to the marijuana tax cash fund
 - \$30 million is credited to the state public school fund and distributed to rural school districts
 - Of the 90 percent of the state retail marijuana sales tax revenue that the state retains for FY 2018-19:
 - 15.56 percent stays in the general fund
 - 71.85 percent is credited to the marijuana tax cash fund
 - 12.59 percent is credited to the state public school fund for the state share of total program

- Requires state departments, other than the departments of Education and Transportation, to submit budget requests to the Office of State Planning and Budgeting (OSPB) that are at least 2.0 percent lower than the FY 2017-18 budget, and requires OSPB to seek to ensure that the budget submitted to the legislature for FY 2018-19 is at least 2.0 percent lower than FY 2017-18
- Replaces an existing temporary income tax credit for business personal property taxes with a more generous permanent income tax credit for business personal property taxes paid on up to \$18,000 of the total actual value of a taxpayer's business personal property

For FY 2016-17, appropriates \$3,750 General Fund to the Department of Revenue for implementation of the tax policy changes.

H.B. 17-1002 (CHILD CARE EXPENSES INCOME TAX CREDIT EXTENSION): Extends an expiring refundable tax credit for child care expenses for an additional three years. However, for the tax year beginning January 1, 2017, the tax credit is only available if the revenue forecast developed by Legislative Council Staff in June 2017 projects a General Fund surplus exceeding \$2.9 million. The following table shows the effect of the tax credit on General Fund revenue and its TABOR impact.

FISCAL IMPACT OF H.B. 17-1002 (CHILD CARE EXPENSES INCOME TAX CREDIT EXTENSION)				
	FY 2016-17 ¹	FY 2017-18	FY 2018-19	FY 2019-20
General Fund Revenue	(\$2.9 million)	(\$6.1 million)	(\$6.4 million)	(\$3.4 million)

¹ FY 2016-17 impact occurs only if the June Revenue Forecast prepared by Legislative Council Staff forecasts General Fund revenue will have a surplus exceeding \$2.9 million at the end of the Fiscal Year.

The tax credit is available to taxpayers with federal adjusted gross income totaling \$25,000 or less. The tax credit is equal to 25 percent of eligible child care expenses incurred by the taxpayer up to \$500, for those with one dependent, and \$1,000 for those with two or more. This tax credit is similar but distinct from the nonrefundable child care tax credit available for individuals with federal adjusted gross income exceeding \$25,000, but not exceeding \$60,000.

H.B. 17-1027 (REMOVE FUND REPEAL & CLARIFY ORGAN DONOR PROCESS): Removes the July 1, 2018, repeal date for the Emily Maureen Ellen Keyes Organ and Tissue Donation Awareness Fund (the Fund), continuing it indefinitely, and renames the fund the Emily Keyes - John W. Buckner Organ and Tissue Donation Awareness Fund. The bill clarifies that an applicant's self-designation as an organ and tissue donor on a driver license, identification card, or instruction permit remains in effect until revoked by the applicant, codifying that organ donation is an advance directive and a lifetime designation. Under the bill, computer reprogramming costs for the Division of Motor Vehicles (DMV) may be paid from the fund. Finally, the bill requires the Donor Alliance, Inc., to submit an annual report to the Department of Revenue (DOR) detailing the amounts and specific uses of all funds it receives by October 1 of each year, which the DOR must include as part of its SMART Government Act hearing. In FY 2017-18, appropriates \$33,750 cash funds from the Fund.

H.B. 17-1120 (ALCOHOLIC BEVERAGE LICENSE HIGHER EDUCATION CAMPUS): Creates a classification of liquor license for campus liquor complexes. An institution of higher education, or a person who contracts with an institution to provide food services, that holds a hotel-restaurant license to serve alcohol beverages for on-premises consumption (licensee) may be designated as a campus liquor complex at the time of initial licensure or license renewal. The licensee must designate a principal licensed premises and additional related facilities. Defines a related facility as an area approved by licensing authorities that is on the campus of a licensed institution of higher education

and owned or controlled by the institution. In FY 2017-18, appropriates \$22,150 cash funds from the Liquor Enforcement Division and State Licensing Authority Cash Fund to the Department of Revenue.

H.B. 17-1162 (OUTSTANDING JUDGEMENTS & DRIVER'S LICENSES): Changes the penalty for driving with a license that is restricted by an outstanding judgment from an unclassified misdemeanor, with a maximum penalty of six months of imprisonment and a fine of \$500, to a class A traffic infraction, punishable by an assessment of three points to a violator's driver license. Municipal courts are able to enforce violations for driving with an outstanding judgment, but cannot waive the three-point penalty assessment against a driver license. Appropriates \$108,000 cash funds to the Department for FY 2017-18.

H.B. 17-1249 (PENALTIES FOR UNLICENSED MOTOR VEHICLE SALES): Creates a new factual basis for unlicensed motor vehicle sales; increases penalties for the existing class 3 misdemeanor offense; credits fine revenue to local law enforcement and the Department of Revenue (DOR); and allows fine revenue to be used for enforcement of unlicensed motor vehicle sales laws. Under the bill, a person or corporation must both willfully violate the law and do so while acting in an official capacity to be charged with the unlicensed sale of a motor vehicle. For unlicensed motor vehicle sales by new and used motor vehicle dealers, wholesalers, buyers agents, wholesale motor vehicle auction dealers, and motor vehicle salespersons, the penalty is still a class 3 misdemeanor. In FY 2017-18, appropriates \$8,000 cash funds from the Auto Dealers License Fund to the Department of Revenue.

H.B. 17-1250 (RENEW AND EXPAND TAX CHECK-OFF BENEFIT FOR WILDLIFE): Extends and modifies the Nongame Wildlife voluntary contribution (income tax checkoff) program. Renames the checkoff program as the Colorado Nongame Conservation and Wildlife Restoration voluntary contribution and establishes the Colorado Nongame Conservation and Wildlife Restoration Cash Fund Authority that is overseen by a board of directors. The bill also creates the Nongame Conservation and Wildlife Restoration Cash Fund. Money in the fund is used by the Colorado Division of Parks and Wildlife to support a variety of activities that aid nongame and endangered species work. In addition, a percentage of the checkoff revenue must be given in the form of grants for wildlife rehabilitation in Colorado. In FY 2017-18, appropriates \$2,200 cash funds from the Nongame Conservation and Wildlife Restoration Cash Fund to the Department of Revenue.

H.B. 17-1367 (AUTHORIZE MARIJUANA CLINICAL RESEARCH): Creates two research licenses in the Medical Marijuana Code to be issued by the Marijuana Enforcement Division and local licensing authorities. The marijuana research and development cultivation license allows a person to grow, cultivate, possess, and transfer marijuana by sale or donation, for limited research purposes. A marijuana research and development license allows a person to possess marijuana for limited research purposes. If the research will be conducted with a public institution or with public money, the Scientific Advisory Council in the Colorado Department of Public Health and Environment is required to assess the project based on criteria outlined in the bill. If the council finds the project does not meet the criteria, the application will be denied. If the research will not be conducted with a public institution or with public money, the Marijuana Enforcement Division will assess the project. In FY 2017-18, appropriates \$226,671 cash funds from the Marijuana Cash Fund to the Department of Revenue, of which \$95,050 is reappropriated to the Department of Law.

APPENDIX C

FOOTNOTES AND INFORMATION REQUESTS

UPDATE ON LONG BILL FOOTNOTES

- 85 Department of Revenue, Division of Motor Vehicles, Driver Services, Personal Services -- The initial fiscal note estimated a total of 66,000 individuals would request an appointment for a S.B. 13-251 document. Continued operations for this program at more than one office are premised on the need to handle the initial surge of applicants. It is the Intent of the General Assembly that once the annual appointments for first-time applicants made available for individuals who are not lawfully present in the United States falls below 5,000 per year or the total first-time applicants served reaches 66,000 the Division will reduce the offices that provide the service to one location. Of the amount appropriated to Driver Services, \$1.5 million cash funds are for the Colorado Road and Community Safety Act.

COMMENT: Statement of intent and specified appropriation; no Department response required.

UPDATE ON REQUESTS FOR INFORMATION

1. Department of Revenue, Division of Motor Vehicles, Driver Services -- The Department is requested to submit to the Joint Budget Committee by the first of every month quarter, beginning June 30, 2017, a report about the progress made on meeting the demand for services offered under S.B. 13-251, which was estimated at 66,000 individuals. For individuals served who are not lawfully present in the United States, the report should include the number of appointments made available, the number of "no shows" for appointments, the number of appointments that resulted in no document issuance, the number of documents issued, and a justification based in data for why there is a continued need to offer services for individuals who cannot demonstrate a lawful presence in the United States at more than one location. If the number of first time applicants who receive an identification document exceeds 66,000, it is further requested the Department provide written notice to the Joint Budget Committee as soon as practical.

COMMENT: The Department submitted the first required quarterly report on October 1st.

APPENDIX D

DEPARTMENT ANNUAL PERFORMANCE REPORT

Pursuant to Section 2-7-205 (1)(a)(I), C.R.S., by November 1 of each year, the Office of State Planning and Budgeting is required to publish an **Annual Performance Report** for the *previous fiscal year* for the Department of Revenue. This report is to include a summary of the Department's performance plan and most recent performance evaluation for the designated fiscal year. In addition, pursuant to Section 2-7-204 (3)(a)(I), C.R.S., the Department of Revenue is required to develop a **Performance Plan** and submit the plan for the *current fiscal year* to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year.

For consideration by the Joint Budget Committee in prioritizing the Department's FY 2018-19 budget request, the FY 2016-17 Annual Performance Report dated October 2017 and the FY 2017-18 Performance Plan can be found at the following link:

<https://www.colorado.gov/pacific/performancemanagement/departments-performance-plans>